German Industry

The French launch an invasion

Page 12

United Nations

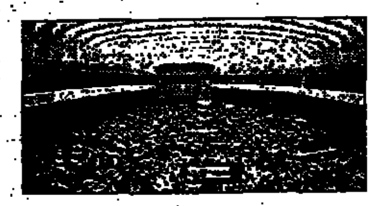
Under a cloud of self-deception

Joe Rogaly Page 12

Wellcome share offer

Did the outcome match the hopes?

Page 15



Japan

Failure of the patience principle

Page 15

NEWSPAPER of THE YEAR

FINANCIAL TIMES

Tuesday July 28 1992 | EUROPE'S BUSINESS NEWSPAPER | D8523A

Dasa joins race to buy BAe satellite unit

Deutsche Aerospace (Dasa) has joined the race to buy British Aerospace's lossmaking satellite business. The news is a blow to GEC, whose joint venture with Matra of France, Matra-Marconi, has been in talks with BAe since last year to acquire the space division. Page 15

Japanese rate cut: The Japanese government signalled its disappointment that the interest rate cut had not boosted the stock market after the Nikkei closed 124.45 points lower at 15,373.34, a six-year low. Page 14 and Lex

Goodyear Tire & Rubber, large US-owned tyre company, bucked the industry trend by reporting record second-quarter net income of $109.7m, well above analysts' forecasts. Page 15

Iraq claims victory: Iraq said it had won a "brilliant victory" over the UN by agreeing to the inspection of its agriculture ministry in Baghdad by a team of "neutral" UN weapons experts. Page 3

Chinese teenager wins diving gold:

Thirteen-year-old Fu Mingxia extended China's domination of women's diving by winning the Olympic platform gold medal. Fu ran out of challengers by the final round, winning by more than 50 points in an event often decided by 10 points or less. Elena Mirochina of the Unified team took the silver medal, and Ellen Clark of the US the bronze. Olympic coverage, Page 6

McDonnell Douglas, US aerospace group, is strengthening its ties with the Israeli aerospace industry by contracting two Israeli companies for additional work worth about $522m. Page 4

Italian suicide: The political corruption scandal claimed its second victim with the death of Mario Majocchi, head of a Como-based building group who shot himself in the head on Sunday. Page 2

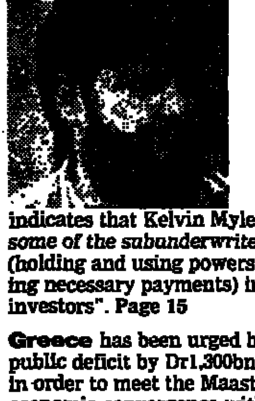
Bosnian factions talk: Leaders of Bosnia's three warring factions began another attempt to conclude peace at a London meeting, in spite of the breakdown of the latest ceasefire. Page 2

US space programme: Nasa faces a critical battle this week to save plans for a manned space station, when the House of Representatives decides whether to continue financing the project. Page 4

Aids scandal: French lawyers representing Aids victims began legal proceedings against three former ministers over alleged government responsibility in the distribution of HIV-infected blood to haemophiliacs. Page 2

Boeing, world's leading manufacturer of commercial aircraft, reported flat second-quarter earnings and predicted lower income in the second half of 1992, due to a drop in aircraft deliveries and high R&D spending on its 777 airliner. Page 16

Questions raised on Richmond flotation:



A report by Price Waterhouse raises serious questions over the subunderwriting arrangements for Richmond Oil & Gas, the US-based natural resource company which floated in London in 1989. Preliminary evidence uncovered by Price Waterhouse indicates that Kelvin Myles (above), who managed *some of the subunderwriters, acted as a* "nominee (holding and using powers of attorney and executing necessary payments) in a scheme to mislead investors". Page 15

Greece has been urged by the IMF to cut the public deficit by Dr1,300bn ($7bn) by end-1993 in order to meet the Maastricht timetable for *economic convergence with EC partners.* Page 2

Norsk Hydro reported a NKr214m drop in half-year net income to NKr788m ($134m), well below market expectations. Page 17

Red Square goes pink: The Financial Times has signed a deal with Izvestia, the daily newspaper published in the former Soviet Union, to produce a weekly Russian language business supplement for Izvestia's 300,000 readers.

■ STOCK MARKET INDICES		
FT-SE 100:	2,348.0	(−29.2)
Yield	5.21	
FT-SE Eurotrack 100	1,056.98	(+4.45)
FT-A All-Share	1,124.19	(−1.2%)
FT-A World Index	*134.71*	*(-0.2%)*
Nikkei	15,373.34	(−124.45)
New York:		
Dow Jones Ind Ave	3,282.2	(-3.51)
S&P Composite	411.54	(-0.06)
■ US CLOSING RATES		
Federal Funds:	3¼%	(3%)
3-mo Treas Bills: Yld	3.258%	(3.219%)
Long Bond	105	(104)
Yield	7.513%	(7.569%)
■ LONDON MONEY		
3-mo Interbank	10 ⅜ %	(same)
Liffe long gilt future:	Sep 98	(Sep 98)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Sep)	$20.575	(20.625)
■ Gold		
New York Comex (July)	*$357.9*	*(359.3)*
London	$358.0	(358.45)

■ STERLING		
New York:		
$	1.919	(1.894)
London:		
$	1.9155	(1.9)
DM	2.8425	(2.85)
FFr	9.5925	(9.62)
SFr	2.516	(2.525)
Y	244.5	(242.5)
£ Index	92.3	(92.0)
■ DOLLAR		
New York:		
DM	1.48885	(1.504)
FFr	5.002	(5.077)
SFr	1.31	(1.3322)
Y	127.45	(128.1)
London:		
DM	1.4835	(1.4995)
FFr	5.0075	(5.0625)
SFr	1.3135	(1.3285)
Y	127.7	(127.65)
$ Index	60.5	(61.0)
Tokyo close Y 128.17		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr160	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs30	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Sh45.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils 500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Desperate famine stalks forgotten Somalis

By Julian Ozanne, recently in Baidoa

DR Said Musa gestured towards a group of gravediggers. "There are no ceremonies for the dead in Baidoa," he said. "We have to dig wherever we can and bury as fast as possible. The world has turned its back on us in Somalia. People are dropping like flies."

Grief and hunger are the only commodities in large supply at Baidoa, a town 250km west of the war-shattered Somali capital Mogadishu. Up to 50,000 people have staggered into the town from the surrounding villages in a desperate search for food.

This struggle is being repeated across Somalia, where aid workers say thousands are dying daily and 4.5m people are in critical need of emergency food aid.

All relief efforts thus far have become lost in the nightmare of Somali politics. Aid officials must negotiate the passage of grain through fiefdoms controlled by Somali warlords. Bandits on the roads, even in Mogadishu itself, make a mockery of the most carefully negotiated arrangements.

The officials say Mogadishu is the key to any future relief effort. A successful distribution programme there would enable aid agencies to build up food stocks and to establish a base from which to move out to the countryside, reversing the mass migration of refugees.

Across the pillaged town of Baidoa small pieces of wood stuck in mounds of freshly turned earth marked the graves of children caught up in Somalia's latest tragedy.

Countless children are dying of starvation in the ruins of a crumbling city gutted by feuding gunmen. The graves are surrounded by the rubble of buildings razed by *mortars and* grenades. Most wars are senseless, this one more than most.

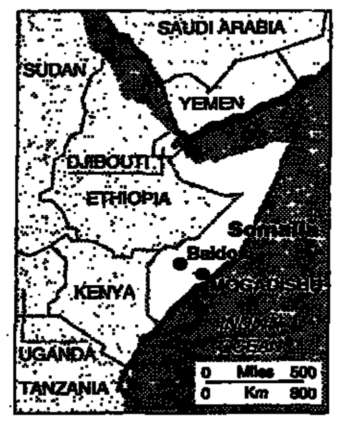
Inside a makeshift feeding centre run by the Irish charity Concern hundreds of emaciated infants, their muscles wasted to the bone, cling to their mothers waiting to be fed. Many are almost lifeless and can only manage a pitiful moan.

For some, with matchstick arms and thinning hair, it is too late. In a corner of the compound one mother sits by the corpse of a four-year-old lying under a dirty cloth. Her grief is blunted by her own hunger and the worry that her other three children may die soon.

Emergency food aid is trickling into the feeding centres run by Concern, the Red Cross and Unicef but it is not enough to stop people dying daily of diarrhoea and dehydration. Many of the Somali staff working in the feeding centres have contributed food from their own supplies but every day more and more people in the last stages of malnutrition are struggling into the town.

"Things are getting worse every day," said Ms Anita Ennis, a nutritionist working in Baidoa for Concern. "There is too much talking, too many meetings among donors and not enough response. We need massive quantities of food and medicine urgently." *In another feeding* centre crammed with people clustered round an oil drum of rice and beans an elderly looking

Continued on Page 14



EC finance heads agree to standardise VAT rate

By Andrew Hill in Brussels

EC finance ministers last night agreed a legally binding minimum standard rate of value added tax.

The provisional agreement ends five years of fierce debate and sets the seal on the most significant example yet of the Community's growing influence over national fiscal policy.

The deal also marks the first important achievement of the British presidency of the EC and a large step towards a single Europe free of border controls.

Ironically, it is Britain which until recently was the most vehement opponent of moves to cede tax sovereignty to Brussels.

But last night, Mr Norman Lamont, the British chancellor of the exchequer, said: "We have *accepted the principle that the* internal market needs a legally binding minimum rate [of VAT]."

Mr Lamont's role in forging a compromise with his European *colleagues is likely to expose him* to heavy criticism from Eurosceptic members of Parliament in his own party.

The agreement sets a minimum standard VAT rate of 15 per cent until the end of 1996, when it would come up for review.

Formal agreement on the whole package of legislation on VAT and excise duties will also have to wait until a number of specific disputes among individual member states have been sorted out. Ministers have promised to resolve their differences by Thursday. The package also covers duty on cigarettes and other tobacco products, alcohol and mineral oils, such as heating oil.

Most countries' VAT rates have *already moved into* line with last year's non-binding political agreement on indirect tax and excise duties. Germany will have to raise its standard rate from 14 *per cent, and Spain will move* from 13 per cent next month.

The deeper effect of the agreement will be to clear away one of the largest obstacles to a barrier-free Europe. With VAT rates broadly harmonised, member states will no longer have an excuse to retain customs controls beyond the end of this year.

However, there is still confusion over whether member states have committed themselves to having a legally binding minimum rate for ever.

Mr Lamont indicated last night that if ministers failed to reach unanimous agreement on a renewed legally binding minimum before 1996 the directive would lapse. The Community would then be subject only to last *year's* non-binding accord.

But other ministers disagreed. For example, Mr Jorge Braga de Macedo of Portugal, Mr Lamont's predecessor as president of the *finance ministers' council,* said he believed the legally binding 15 per cent minimum would be automatically renewed if they failed to agree. That would deprive dissenters – possibly including Britain – of any effective veto.

"It doesn't seem to me that there is any great change in principle [for the UK]," argued Mr Lamont last night. "In fact, in this respect I have got more flexibility and more freedom than we asked for on other aspects of indirect tax harmonisation."

Ministers also agreed a two-tier system of excise duty on spirits, which will leave current rates of duty in the EC unchanged, but freeze duties at existing levels between Ecu550 and Ecu1,000 per 100 litres of alcohol.

Member states with duty above Ecu1,000 per 100 litres – such as Britain and Denmark – would be able to come down to that threshold.

Issues still outstanding include the difference in duty on British and Spanish sherry; the possibility of a French-style control levy on wine being extended to all member states; the level of duty on mineral oil; and the right of the Netherlands and Germany to retain reduced VAT rates on flowers and other agricultural products.

World Trade News, Page 4

Wellcome sale of 270m shares raises £2.1bn

By Maggie Urry

WELLCOME TRUST, the medical research charity, yesterday confirmed it had raised £2.1bn ($4bn) net of expenses through its sale of 270m shares in Wellcome, the pharmaceutical group, at a price of 800p.

Mr Roger Gibbs, chairman of the Trust, said he was "very pleased" with the result of the sale given poor stock market conditions since details of the issue were announced in June. Then the issue size was indicated at 330m shares, and the company's shares were trading above 900p.

Wellcome's share price fell yesterday from 828p to 800½p, as the stock market weakened. The volume of shares traded was 14m, *regarded as low for first day trading* in an issue of this size.

Mr Gibbs said that "the Trust's total income for its next financial year will now be some £220m, double that of the current year". The Trust announced a number of research initiatives yesterday.

Mr Gibbs said the Trust now had a £5bn portfolio, half invested in its remaining 42 per cent Wellcome stake and the rest in higher-yielding securities. It will build up a diversified equity portfolio.

Around 60 per cent of the shares sold were allocated to UK institutions. Applicants through the UK public offer received 14.4m shares.

US investors were allocated 70m shares. This makes it the largest share sale in the US for a non-US company, barring privatisations. It takes the proportion of Wellcome's shares held there to *10 per cent. Japanese investors* will now hold about 2 per cent of the group's shares.

Mr John Robb, chief executive of Wellcome, said the sale had gone some way to achieving a broader international spread of shareholders for the company. He was particularly pleased that the take-up of shares had been strong in the US and Japan, as well as the UK, as these were the two largest pharmaceutical markets.

Investors in Germany, France and Canada took only a few million shares in all. Some of the selling observed yesterday was believed to have come from Germany. Robert Fleming, the merchant bank running the global sale, is expected to track down the identity of these sellers.

Mr Gibbs praised the Trust's advisers. As well as Fleming, he picked out Warburg Securities and Cazenove in the UK, Morgan Stanley in the US and Nikko Securities in Japan.

Welcome for Hanam, Page 13
Lex, Page 14
Windfall for research, Page 15
Book-building, Page 15

Threat to US trade deal from Gephardt

By Nancy Dunne in Washington

THE planned North American Free Trade Agreement (Nafta) faced a new hurdle yesterday as the majority leader in the US House of Representatives demanded that negotiators write in strong protection for the environment and US jobs.

The call by Mr Richard Gephardt came after senior ministers from the US, Canada and Mexico made progress on a number of fronts in weekend negotiations in Mexico City. The negotiators apeared close to completing a final draft text.

Mr Gephard's demands threatened to scupper one of the few *vote-winning initiatives left to* President George Bush, who – according to latest opinion polls – is trailing Mr Bill Clinton, his Democratic challenger for the November 3 presidential election.

Mr Gephardt said Nafta negotiators "can and must do better". The pact could become an "engine of growth" but only if "properly drafted".

He said it should include:

- A joint US-Mexico border commission to promote health and environment, offer bonds, inspect facilities and enforce laws;
- A cross-border transaction tax to raise funds for worker training, infrastructure development and environmental protection;
- Provisions to make failure to abide by environmental laws an unfair trade practice and to allow US shareholders to sue companies doing business in Mexico if they fail to abide by Mexican laws;
- Creation of an industry Code of Conduct for the Maquiladora industries on the Mexican border.

Mr Clinton was expected last night to echo Mr Gephardt's critical comments. Mr Clinton has previously said he would support Nafta only if it safeguarded jobs, the environment and Mexican labour rights. He has also stressed his support for an open world trading system.

Mr Gephardt told the Institute of International Economics in Washington that uncontrolled *free trade was part of the past* and that environmental and labour concerns could not be divorced from trade *agreements.*

The currently proposed Nafta agreement was "a lose-lose situation", he said. It failed to stem either the flow of jobs to Mexico or a returning flood of cheaply produced goods to the US.

Mr Gephardt said industrialisa-

Continued on Page 14

George Bush: vote-winning initiative threatened

CONTENTS

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West helpless as Russian budget deficit swells

By John Lloyd in Moscow

THE RUSSIAN government is rapidly losing control of the budget deficit and inflation and there is little that the west can do to help, according to both foreign experts and Russian government officials.

Two separate credits of Rbs500bn have been approved by the government for industry under the influence of the powerful industrial lobby - with expectations that inflation will surge as a result.

The new chairman of the Russian central bank, Mr Victor *Gerashchenko – former* chairman of the Soviet state bank (Gosbank) – has said he favours soft loans to key industrial sectors, and has postponed the convertibility of the rouble for the foreseeable future.

These measures would relieve the pressure on industry, but would also delay the date of any substantial restructuring and increase both budget deficit and inflationary pressures.

Moreover, the price likely to be paid to farmers for grain this year will be at least Rbs10,000 a tonne. Such a sum is much higher than the government *had wished, but likely* to be necessary since farmers are refusing to sell. This in turn will lead to huge increases in the price of bread – the most politically sensitive of all prices – and to further inflation.

In the opinion of Professor Steve Hanke of Johns Hopkins University who is working on proposals to stabilise the rouble: "My belief is that we could have inflation at 50 per cent [the commonly-defined threshold for hyperinflation] by the end of the year because they cannot stop the credits. There is nothing the west can do about this."

President Boris Yeltsin has revised down his previous forecast of when the economy would stabilise – from the latter part of this year to early next.

Negotiations between the Russian government and the International Monetary Fund, suspended over the holiday period, are expected to restart in late August or in September but hopes that a stand-by agreement will be reached in the autumn are now evaporating.

An IMF spokesman in Washington said that the forecast of an October signing of the agreement was "the Russian *government's estimation*" and added that "it's not clear if the Russians know how difficult this process is".

Furthermore, some powerful Russian politicians increasingly confidently dismiss the desirability of western assistance. General Alexander Rutskoi, the vice president, said that "the time has come when we should no longer hope for a kind uncle – the IMF".

Mr Yeltsin said last week that he had defied the requests of the IMF to freeze wages and raise energy prices, though he added they would be raised to world levels by the end of next year.

Intensive discussions within the IMF and at senior levels in the Group of Seven leading industrial countries now focus on how far the IMF should continue to act as the judge of Russian reform on the part of the G7. Some officials, alarmed by the possible collapse of reform and with it, the Russian government under Mr Yegor Gaidar are calling for direct assistance from rich countries to Russia in order to prevent a backlash against both the market and democratic institutions.

The worsening economic situation is prompting increased security precautions against public discontent. An emergency committee, possibly including a paramilitary force, is to be set up in St Petersburg following a warning from Mr *Sergei Stepanshin*, the city's security chief, of disturbances "in the wake of a worsening economic and political situation".

*The Russian Security Minis*try has also announced the formation of a special force of former KGB officers to protect officials against assassination. *Evidence of attacks is sketchy* but Itar-Tass news agency, quoting the ministry, said the force was being set up following "more than 100 terrorist acts" in Russia over the past year.

Fabius to be sued by Aids victims

By William Dawkins in Paris

TWO FRENCH lawyers representing Aids victims yesterday began legal proceedings against three former ministers, including Mr Laurent Fabius, first secretary of the governing Socialist party, for alleged poisoning.

The move could provoke an embarrassing parliamentary debate over the government's responsibility in the distribution of HIV-infected blood to haemophiliacs, as a result of which 256 *people have died in* the past seven years.

If the debate takes place, it is likely to happen in the run-up to the sensitive September 20 referendum on European union, thus dealing another blow to the government's unsuccessful attempts to avoid controversy.

The indictment, which also cites Ms Georgina Dufoix, former social affairs minister, and Mr Edmond Hervé, former junior health minister, arises from a trial of four former senior health officials, charged with allowing transfusions of HIV-infected blood in 1985.

French ministers cannot be brought to court directly to *face charges linked* with the exercise of their jobs. They have to be impeached by both houses of parliament.

First, examining magistrates *have to decide whether there is* a case to answer and pass on the case to the public prosecutor. It will then be up to Mr Michel Vauzelle, justice minister, to decide whether to pass the case to parliament.

Given the huge public interest in this tragic trial, any official attempt to bury the indictment would spark an uproar.

Mr Fabius, prime minister at the time, told the court last week that he acted as quickly as possible to introduce obligatory screening of blood as soon as he knew of the danger.

Mr Hervé admitted he knew stocks were infected, but acted on experts' advice in allowing them to be used until heat sterilisation became available.

Around 1,300 *people* have since become HIV positive, including nearly 45 per cent of French haemophiliacs.

Bosnia's warring factions begin new search for peace

By Robert Mauthner, Diplomatic Editor

LEADERS of Bosnia's three warring factions began another attempt in London yesterday to bring peace to their stricken country, in spite of the breakdown of the latest ceasefire agreed only 11 days ago.

The meeting has been overshadowed by last weekend's British proposal to organise a wider international peace conference on the former Yugoslavia in London at the end of next month. Apart from the three combatants, this will bring together the European Community, the United Nations, the Conference on Security and Co-operation in Europe and other "interested *parties" such as the US.*

Though the Bosnian Moslems have again refused to meet their enemies face to face, Mr Jose Cutileiro, the Community's chief negotiator in the EC-sponsored talks, will hold separate meetings with Mr Radovan Karadzic, leader of the Bosnian Serbs, Mr Mate Boban, leader of Bosnia's Croats, and Mr Haris Silajdzic, the Bosnian Moslem representative.

Lord Carrington, the chief EC mediator, considers it pointless to negotiate another ceasefire, which is likely to collapse as quickly as the previous ones. He will try, therefore, to focus the talks on a constitutional and political settlement rather than on military prob*lems.*

However, a British official made it clear that this did not mean that no attention would be paid to halting the fighting. "They have a ceasefire and they will be told in no uncertain terms to implement it," he said, while admitting at the same time that there was no point in getting the parties to agree on a new ceasefire.

Mr Karadzic yesterday proposed that the rival communities could be separated by a "green line" patrolled by UN peacekeeping troops, while their leaders worked out a political settlement. Such a "green line" has been in effect in Cyprus ever since the Turkish invasion of the northern part of the island in 1974.

The London meeting is being held against the background of a quickly deteriorating refugee crisis in the former Yugoslavia which will be the subject of an international conference in Geneva tomorrow.

Germany, which has taken in more than 200,000 of an estimated total of 2.2m Yugoslav refugees, has called on Germany's European partners to share the refugee burden more equitably, but France and Britain are refusing to accept a quota system.

However, western officials are understood to be studying the creation of a Kurdish-style safe haven for refugees inside the former Yugoslavia to halt the increasing flood of people fleeing their homeland.

● US Navy *jets flew sorties* over the Adriatic yesterday but were under strict orders not to stray near Yugoslav airspace, Reuter reports from aboard the USS Saratoga.

The US stepped up its presence in the narrow sea on Friday, moving in a battle group led by the aircraft carrier Saratoga. As waves of F-14 Tomcats and A-6 intruders took off from the Saratoga, pilots were repeatedly told to stay out of Yugoslav airspace and not to stray near two Yugoslav *islands* in the *middle* of the Adriatic.

"Whatever the message Washington may be wanting to send to Yugoslavia, the mili*tary orders are to keep things* cool in the Adriatic," said battle group commander, Rear Admiral Philip Dur.

The US battle group, which includes the amphibious assault ship Iwo Jima, is by far the biggest military presence in the area. Its nearly 9,000 men dwarf a four-ship Nato patrol off the coast of Montenegro and a three-ship detachment of the Western European Union at the mouth of the Adriatic.

The leader of ethnic Albanians in the Serbian province of Kosovo has said a revolt brewing there could result in a tragedy greater than that in Bosnia, Reuter reports from Paris. Mr Ibrahim Rugova told Figaro newspaper that he believed a popular revolt could erupt in Kosovo, where the majority Albanian population is seeking to break with Serbia.

Mr Rugova, elected president of Kosovo in clandestine elections in May, said he did not rule out his Democratic League taking up arms against Serbia, which has stripped the province of its autonomy. "But because we lack weapons, it would be difficult to organise," he said.

***Kosovo's 1.9m ethnic Albanians outnumber other nationali*ties, including Serbs, 10 to one. Serbia accuses them of wanting to annex the province to neighbouring Albania. More than 100 people have been killed in unrest in Kosovo since March 1989, but Mr Rugova and other ethnic Albanian leaders have urged *civil disobedience* instead of demonstrations which invariably result in violence.**

An Egyptian soldier (right) bound for United Nations duty in Sarajevo reads his Koran before take-off in Cairo

Romania's leading party faces polls fight

By Virginia Marsh in Bucharest

ROMANIA'S politicians face a long, hot summer with the start yesterday of a two-month campaign for concurrent presidential and parliamentary elections on September 27.

The polls, only the second general elections since the overthrow of the Ceausescu regime in December 1989, are expected to lead to significant changes in the country's political spectrum.

With no strong opponent nominated to challenge Mr Ion Iliescu, Romania's president, he appears virtually assured of a second term of office, this time for four years.

However, in parliament, the National Salvation Front (NSF) which swept to *power* in May, 1990, with two-thirds of the vote, looks certain to lose its dominance.

The NSF was weakened earlier this year by internal disputes between those favouring the reformist Mr Petre Roman, the former prime minister, and the supporters of the more conservative Mr Iliescu, a former *high-ranking communist offi*cial, who left to form the Democratic National Salvation Front (DNSF).

The NSF has also seen its *power eroded by the Demo*cratic Convention (DC), a coalition of opposition parties which successfully contested February's local elections, win*ning control* of many key cities including Bucharest, the capital, and the Transylvanian town of Timisoara, birthplace of the 1989 revolution.

However, the DC has been rocked by internal quarrels, too, notably over its choice of presidential candidates and by the departure of the National *Liberal Party, one of Roman*ia's parties from the 1920s.

Pollsters disagree which of the three main groupings, the DNSF, the NSF and the DC, will be *the victor. Most* believe the future government will be a coalition between Mr Roman's NSF and the DC. Some fear that DNSF and other left-wing parties will emerge strong enough to take power through alliances with extreme right nationalist parties.

IMF calls for deep cuts in Greek public spending

By Kerin Hope in Athens

THE International Monetary Fund has urged Greece to slash the public deficit by Dr1,300bn (£3.7bn) by the end of 1993 in order to meet the Maastricht timetable for economic convergence with its European Community partners.

In its annual report on the *Greek economy, the IMF called* for deep cuts in public spending, including rapid reform of the state pension system where outlays account for about 15 per cent of the country's gross domestic product.

The normally confidential report was made public by Mr Stefanos Manos, the economy minister, who hopes to make Greeks more willing to accept continued austerity by revealing the extent of the country's economic problems.

The report said the govern*ment's current efforts to* reduce the deficit by 4 percentage points this year to 13 per cent of GDP were inadequate for meeting the Maastricht target. "Primary adjustment of 8-10 percentage points of GDP was needed in 1992-93 to put Greece on the path to convergence with a clearly declining debt to GDP ratio," it said. The public debt last year reached 116 per cent of GDP, compared *to the Maastricht requirement* of no more than 60 per cent by 1997.

"The focus of the stabilisation effort should be on a curtailment of public spending," the report addded. "Lasting savings in the central government's wage bill require significant cuts in public employment, including the abolition of unnecessary functions." A hiring freeze is nominally in effect in the public sector, but the government has been reluctant to incur the political *cost of large scale dismissals.*

Greece requested IMF technical help in its second attempt in two years to overhaul the pension system, but discussions with trade union officials have been delaying the launch of a less generous scheme.

A stabilisation programme launched last year has succeeded in reducing the current account deficit from 5.4 to 2.2 per cent of GDP and cutting the inflation rate from 20.9 to 15.1 per cent – still almost three times the EC average. However, the size of the deficit remains a serious obstacle to further progress.

In addition to the government's unwillingness to enforce harsh spending curbs, its revenue forecasts still appear too optimistic. According to the report, further reforms of the fiscal system, including a broadening of the tax base and higher indirect taxes are *crucial to boosting* revenues.

Checkpoint Charlie in business

By Leslie Colitt in Berlin

A BERLIN court yesterday approved an DM800m (£276m) business centre project on the site of Checkpoint Charlie, the former crossing into East Germany.

It dismissed a case by an east Berlin woman who claimed to own the site, ruling *that property at the Berlin* Wall could not be returned under the terms of the 1990 German unification treaty. Checkpoint Charlie was dismantled in June 1990 after the city was united.

Central European Development Corporation, majority-owned by US cosmetics company Estée Lauder and headed by Mr Mark Palmer, former US ambassador to Hungary, was given the green light by the city government last year to erect the American Business *Centre on the site. But, the* court case held up the project.

Second suicide in Italian scandal

By Haig Simonian in Milan

THE GROWING political corruption scandal in northern Italy has claimed its second victim with the death yesterday of Mr Mario Majocchi, head of a Como-based building group and deputy chairman of Italy's Builders' Federation.

The death of Mr Majocchi, *who was taken to hospital* after shooting himself in the head at home on Sunday, follows that last month of Mr Renato Amorese, secretary of the Socialist party in Lodi, near Milan.

Mr Majocchi's motives remain obscure, unlike those of Mr Amorese, who left a long letter. After being interviewed by Milanese magistrates on Friday, Mr Majocchi, managing director of a company active in public sector contracting in Lombardy, returned home apparently unperturbed.

The latest incident follows a shift of focus from politicians to industrialists in the continuing investigation. Last Friday, police arrested Mr Giancarlo Cozza, the 55-year-old chief executive of Fiat Ferroviaria Savigliano, the railway equipment division of the Fiat group. His arrest, and that of the owner of a local Iveco bus dealership, brought to 71 the number of people now charged in connection with the widening investigations.

Mr Cozza, detained on suspicion of having paid bribes for *contracts to supply rolling* stock to Milan's underground railway, is the second Fiat executive to have been arrested in the affair. Earlier this year, police arrested Mr Enzo Papi, chief executive of Fiat's Cogefar Impresit building subsidiary, Italy's biggest building group. Mr Papi, who refused to give evidence and eventually resigned from his job, was finally released.

Dentists strike in Germany

By Quentin Peel in Bonn

NEARLY 3,000 dentists in Germany's populous North Rhine region downed drills and closed surgeries yesterday in protest at the government's plans to cut spending on the state-subsidised health care system.

Members of the Free Association of German Dentists are being urged to pull out of the public health insurance scheme, and only accept patients privately, mirroring a move taken by British dentists three weeks ago.

At the same time doctors in the wealthy state of Baden-Württemberg are organising a *mass poster campaign attack*ing the health minister, Mr Horst Seehofer, who has drawn up plans to save DM11bn (£3.7bn) a year from the swelling costs of the health service.

They include a freeze on doctors' and dentists' fees, as well as on pharmaceutical prices, an increase in hospital fees, and a system to curb prescriptions by doctors: if they prescribe more than laid down in strict budgets, their fees will be cut accordingly.

Mr Seehofer denounced the *dentists' strike* action yesterday as "absolutely excessive".

Money launderers cash in on upheaval in east

Ian Rodger examines new patterns and old problems for those on the track of drug profits

ESTONIA'S *central bank* governor made a somewhat unusual statement when the republic set up its own currency last month. He used the opportunity to express *his determination to combat drug* money laundering.

This was not just a dutiful bow to the western powers who have been cracking down hard on money laundering in recent *years. The fact was,* Mr Siim Kallas said, that "enormous amounts of cash have been deposited in our banks in the last few days".

Mr Kallas ruled that savings account balances *exceeding* Rbs50,000 and corporate accounts worth more than Rbs1bn would be frozen until their origin had been checked.

Among other things, this reveals that when it comes to taking advantage of a new opportunity, the world's drug money launderers are hard to beat. And the struggling countries of eastern Europe and the former Soviet Union are usually *easy targets for* their operations.

Those were also the messages from Lugano – itself a centre notorious for dubious financial transactions – during this month's annual meeting of Financial Action Task Force (FATF) on money laundering, set up by the 1989 economic summit of the seven *largest industrialised countries.*

> When it comes to learning new tricks or seizing a new opportunity, the world's drug money launderers are hard to beat

"Virtually no financial institutions are immune as money launderers become increasingly sophisticated in their techniques," the FATF stated in its report.

Mr Alexis Lautenberg, a senior official in the Swiss foreign ministry who presides over FATF, revealed that the main focus of the organisation's *efforts* in the new *few* months would be on eastern Europe and the Far East.

It is difficult to guess just how significant drug money laundering activity in eastern Europe has become. FATF, being an outgrowth of the Organisation for Economic Co-operation and Development (OECD), is coy about naming names and amounts.

In its report, it says only that "at present, the central and eastern European region is not one of the most significant centres of money laundering".

The most significant centres of a trade, valued two years ago at $85bn, are still the US and western European countries. But there is little doubt *that the combination of tougher sur*veillance in the west and institutional upheaval in eastern Europe has sent a considerable amount of activity eastward.

*Not for nothing did Sir Leon Brit*tan, the EC competition commissioner, make money laundering the theme of a speech he made in Budapest at the end of May. "If money laundering is *effectively driven out of* the European Community and Efta [European Free Trade Association] countries, they don't want it coming here," he said after meeting Hungarian leaders.

In March, Mr Jacques Attali, president of the European Bank for Reconstruction and Development, also touched on the subject. "I think it is obviously in the interests of the world that central and eastern Europe and what I call far eastern Europe do not become a huge loophole in the cause of fighting money laundering," Mr Attali said.

Actual proven cases, however, are few in number. In April, the deputy head of Finland's criminal police *claimed* to have information on the transfer of several million marks to international markets through Finnish banks.

The money was said to originate *from sales of stolen* property in Russia, but the managing director of the Finnish Bank Association denied the allegation.

L*ate last* year, there were suggestions that money launderers would take advantage of the privatisation process in Czechoslovakia, which involved the issue of *small value vouchers to citizens.*

The FATF report points out the eastern European countries will inevitably become more attractive to money launderers, especially as their *currencies move to convertibility.*

However, the countries closest to convertibility, such as Czechoslovakia and Hungary, also tend to be the ones that are drawing up new banking laws. The FATF believes *this is* a good time to impress the importance of stamping out laundering from the start.

FATF held a seminar for senior financial officials of the Czechoslovak, Polish and Hungarian governments in Paris in February and had what Mr Lautenberg described as "very constructive discussions".

The less developed eastern European countries and most former Soviet republics present greater challenges. Mr Lautenberg said that FATF intended to take stock over the next few months and then get in touch with the authorities in these countries. But a FATF official admitted that it was very difficult to make progress in countries where the people in charge were changed frequently and the need for hard currency was desperate.

Meanwhile, the task force still has plenty to do in its own backyard. Many of its members, which are the 24 OECD countries plus the Gulf Co-operation Council, Hong Kong and Singapore, have yet to implement FATF's recommendations for curbing money laundering.

According to the report, only 10 of them have ratified the 1988 Vienna convention which would oblige them to make drug money laundering a criminal offence. And many still do not oblige banks to verify the identity of those making big transactions.

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Arms team expresses pessimism

Iraqis hail 'victory' over UN

By Mark Nicholson, Middle East Correspondent

IRAQ yesterday proclaimed it had won a "brilliant victory" over the United Nations by reaching agreement for a team of "neutral" UN weapons experts to inspect an agriculture ministry building.

Under the agreement, which defused the most serious threat of resumed allied military action against Iraq since the Gulf war, a team of seven UN inspectors, led by Mr Achim Biermann, arrives in Baghdad today to complete inspection there of the ministry building, from which a previous UN team had been barred since July 5.

However, Mr Rolf Ekeus, chairman of the special commission investigating Iraq's weapons of mass destruction, said on his way to Baghdad that he was pessimistic that the team would now find anything in the building. British officials said they expected the team to find only "some traces" of the documents and materials relating to Iraq's missile programme which UN inspectors suspected to have been hidden in the agriculture ministry.

The original team of UN chemical weapons inspectors called off a vigil outside the building last week in the face of concerted and increasingly hostile demonstrations. Both Iraq and the Gulf war allies yesterday claimed that the other side had backed down.

Mr Mohammed Hamza al-Zubeidi, Iraq's prime minister, said in a statement carried by the Iraqi news agency that the UN's agreement to send in a team of inspectors excluding nationals from the main Gulf war protagonists was a "brilliant victory" which "incarnated the solid national will of the Iraqis" around President Saddam Hussein.

President George Bush, meanwhile, claimed that Mr Saddam had climbed down and said that further "infringements" of the Gulf war ceasefire terms would not be tolerated. US officials said President Bush was due to meet senior national security advisers last night – the third such meeting in a week.

British and US officials stressed yesterday that although the crisis over the agriculture ministry building had eased, to the extent that the immediate threat of military action against Iraq had been deferred, there was continued concern over other

The atmosphere will remain fairly hot for a while yet, one official said

aspects of Iraq's more general defiance of the UN and the west. "The atmosphere will remain fairly hot for a while yet," said a British official.

Diplomats were unconvinced, in particular, that the stand-off over UN access to the agriculture ministry would be the last time Mr Saddam would attempt a provocative policy of "cheat and retreat".

With few other readily available options, diplomats say the Gulf war allies will maintain pressure over not only the UN weapons inspectors' access to Iraqi installations but also over the safety of UN guards in northern Iraq, Baghdad's attacks on Shia Moslems in the south and other breaches of the ceasefire resolution. These include the non-return of Kuwaiti property.

The US yesterday kept the threat of military action alive by preparing to send another aircraft carrier to the Gulf.

Patten to draft HK blueprint by autumn

By Simon Holberton in Hong Kong

MR Chris Patten, Hong Kong's new governor, is expected to place comprehensive plans for the colony's future political development before the British cabinet in the autumn, Mr Douglas Hurd, foreign secretary, said yesterday.

At the end of a two-day visit to the colony, Mr Hurd promised speedy government deliberation of Mr Patten's blueprint.

He said Britain would consult China "as necessary".

He stressed that Britain wanted to ensure the "continuity" of Hong Kong's political system beyond 1997, when sovereignty reverts to China.

The foreign secretary also announced yesterday that talks between Britain and China over Hong Kong's multi-billion dollar airport would resume on Thursday. He said it was in the interests of Hong Kong and China that they settle outstanding issues.

Mr Hurd said Mr Patten's review of the political structure in Hong Kong would include the issue of more democratically elected seats for the local legislature.

It would also include arrangements for the colony's 1995 elections – the last to be held under British rule.

Mr Hurd promised consultation with China on both issues.

The review is expected to incorporate Mr Patten's views and recommendations on the role and composition of the Executive Council, or cabinet, and its relationship to the local legislature.

It may also include a recommendation that he institute a local version of "prime minister's question time".

It was unclear yesterday whether Mr Patten would make his recommendations to the British cabinet in person. Mr Patten is due to open the autumn session of the local legislature on October 7. Officials are uncertain whether the government will have completed all work on the review of the political structure by that time.

Spratly spat moves into murkier water

China's tactics set Asean alarm bells ringing, writes Victor Mallet

THE conflicting territorial claims to the Spratly islands have been vividly illustrated in photographs and television pictures released by the various claimants. The most recent, from Xinhua, the Chinese news agency, takes on an almost comical air.

It shows three men on a tiny rock in the middle of the South China Sea with a Chinese flag, a concrete territorial marker and a hut – twice as big as the rock itself – standing on stilts in the shallows.

Nothing could illustrate more clearly the nature of argument over the 100 or more atolls, reefs and islets that make up the Spratly islands: few people would want or be able to live there unsupported, but governments want to own them in order to lay claim to the surrounding waters.

The islands – called the Nansha by China and the Kalayaan by the Philippines – are scattered along the shipping route between the Indian Ocean and north-east Asia, and are believed to have oil and gas deposits under the seabed.

The main protagonists in the dispute are China and Vietnam, but Taiwan, Malaysia, the Philippines and Brunei also lay claim to all or some of the Spratlys. With the exception of the small sultanate of Brunei, all have troops stationed in the archipelago.

At a south-east Asian summit six months ago, nobody gave much thought to a dispute which has simmered since the Second World War and only occasionally erupted into violence.

In February, however, China passed a law reaffirming its sovereignty over almost the entire South China Sea and reserving the right to use military force to defend its claims. Vietnam protested. So did Japan, because the Chinese law also embraced a group of islands claimed by Tokyo in the East China Sea.

In May, as if to underline the message that the South China Sea was not called the South China Sea for nothing, the Chinese authorities signed an agreement with Crestone Energy Corp of Denver to explore for oil between Vietnam and Malaysia.

The concession area is regarded by Vietnam as part of its continental shelf and lies about 1,000km south of the Chinese island of Hainan. Vietnam, which says it lost 72 men and three vessels in a battle with China over the Spratlys in 1988, protested again.

Japan and the six members of the Association of South East Asian Nations (Asean) – Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand – have watched China's forays into the Spratlys with growing alarm.

At a meeting of foreign ministers in Manila last week, Malaysia said it was watching events with "grave concern"; the Philippines said a solution should be urgently sought to avoid "perilous developments"; and Indonesia spoke of the danger of "mutually destructive confrontation".

Although only the Filipinos were openly prepared to admit it, there was considerable debate over the risk of Chinese expansionism and the desirability of continued US and Russian military deployment in the region to provide a "balance of forces".

Mr Qian Qichen, the Chinese foreign minister who was a guest at the meeting, denied that China was seeking regional hegemony. China, he said, wanted to shelve disputes and proceed with "joint development" of the Spratlys.

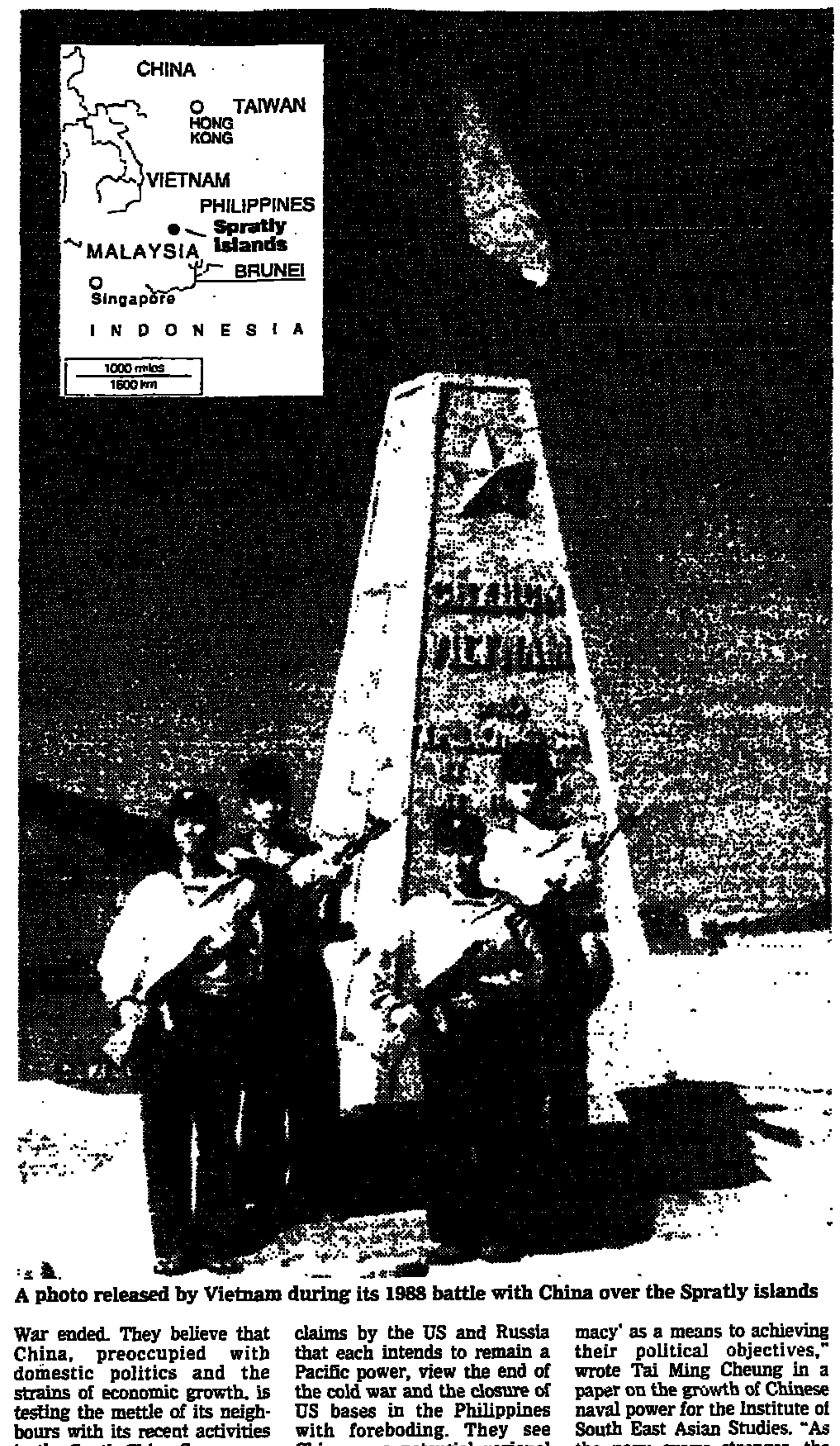
However, Asean ministers were apparently unable to elicit an explanation as to how China reconciled its 1991 rapprochement with Vietnam and its talk of "joint development" with the planting of new territorial markers on the atolls and the unilateral decision to award an exploration contract to Crestone.

The region's optimists say it was inevitable that irritating disputes like the Spratlys would surface once the Cold War ended. They believe that China, preoccupied with domestic politics and the strains of economic growth, is testing the mettle of its neighbours with its recent activities in the South China Sea.

Mr Douglas Hurd, the British foreign secretary, told the Asean meeting how much the region had progressed since he first came to Manila as a young diplomat in the 1950s.

The pessimists, despite claims by the US and Russia that each intends to remain a Pacific power, view the end of the cold war and the closure of US bases in the Philippines with foreboding. They see China as a potential regional bully whose influence is already visible in Beijing's support for the Burmese junta and the Khmer Rouge guerrillas in Cambodia.

"The Chinese will have the option to use 'gunboat diplomacy' as a means to achieving their political objectives," wrote Tai Ming Cheung in a paper on the growth of Chinese naval power for the Institute of South East Asian Studies. "As the navy grows stronger, the chances of conflict over the Spratlys becomes an increasingly real possibility, unless a satisfactory diplomatic solution can be found in the next few years." The paper was published in 1990.



A photo released by Vietnam during its 1988 battle with China over the Spratly islands

Turkey seeking to improve ties with Baghdad on oil

By John Murray Brown in Ankara

TURKEY'S state pipeline company has sent a delegation to Baghdad for the first time since the Gulf crisis started almost two years ago, in a further indication that Ankara is seeking to improve relations with Iraq.

Officials confirmed that Botas, the pipeline company, sent representatives to the Iraqi capital earlier this month to consider the technical problems involved in re-opening the 1,000km twin pipeline, which was built to take Iraqi crude to the Mediterranean.

Officials say Turkey has dropped its demands for financial compensation from Baghdad for the loss of revenue which resulted from the imposition of United Nations trade sanctions against Iraq in August 1990. Turkey is instead considering claiming from the Geneva-based UN War Reparation Fund.

With Ankara soon to re-open its embassy in Baghdad and Prime Minister Suleyman Demirel urging reconciliation during last week's showdown over Iraqi compliance with Gulf war ceasefire resolutions, Turkey is making a renewed effort to improve relations.

Turkey's decision to send Botas to Baghdad follows reports that Iraq is considering building an alternative pipeline through Jordan. The move is a measure of Turkey's concern that the Gulf crisis should not prejudice its long-term commercial ties with Iraq, before the war its second largest trading partner.

Since Iraq invaded Kuwait, Turkey has lost almost $600m (£314m) in tolls foregone on the twin pipeline from Mosul in north Iraq to Iskenderum on the Mediterranean. Turkey claimed a contractual right to compensation, under the original agreement.

Its hardline position was in part responsible for Iraq refusing to adopt the terms of UN resolution 706, under which Iraq would ship $1.6bn worth of oil exports to finance medical and food imports under UN supervision. The former Motherland party government demanded $264m for use of the pipeline for this six-month operation.

However, Mr Demirel's government is taking a softer approach. Turkey, unlike Saudi Arabia – Iraq's other export outlet – has made it clear that it would reopen the pipeline as soon as United Nations sanctions were lifted.

Egypt attacked on human rights

By Tony Walker in Cairo

THE New York-based Middle East Watch yesterday released a scathing report of Egyptian human rights violations, including widespread torture, long detention without trial and arbitrary arrest.

The report, "Behind Closed Doors: Torture and Detention in Egypt", speaks of a "sub-culture of violence" among Egyptians officers employed by the Interior Ministry to deal with political threats to Egypt's stability.

Singling out an organisation known as the State Security Investigation (SSI) within the Interior Ministry for criticism, Middle East Watch reported that the "detailed testimony of torture victims [indicates] that the methods of torture in Egypt are rigorous, yet predictable, indicating that a system appears to be in place to train SSI personnel in torture techniques. . ."

"Among the Egyptians who have suffered torturers' blindfolds, beatings, hangings, electric shocks and other abuses are lawyers who defend politically unpopular clients, journalists affiliated with Islamist publications. . . and individual citizens targeted because they are thought to possess valued information."

Middle East Watch, which is affiliated to the respected Human Rights Watch organisation, charged that physical and psychological mistreatment is "facilitated and protected by a state-sanctioned system of incommunicado detention".

Among typical torture methods identified by the human rights group were beating and kicking of a blindfolded victim; suspension by the wrists for long periods; beatings on the soles of feet; degrading treatment, including threats against relatives; and the use of electric shocks administered to various parts of the body.

Middle East Watch also strongly criticised the Egyptian authorities for failing to investigate complaints about torture, or to take concrete steps to end the practice.

The organisation also condemned the failure of Egypt's western aid donors, including Washington, to press the issue of human rights.

"The US Congress has been equally derelict" the report added.

Policemen killed by extremists

MOSLEM extremists yesterday shot dead two policemen guarding a government building in a southern Egyptian town that has witnessed an upsurge in extremist violence in recent months, police told AP in Cairo.

A police official, speaking by telephone from Dairut, 190 miles south of Cairo, said the assailants fired shots from a car, killing the two guards on the spot and then fled. The sentries were stationed at a government rest house where officials from other regions stay while they are on official business.

This was the second attack in three days involving militants in Dairut. On Saturday a sentry guarding a church in the town was shot and wounded.

In May, 13 Christians were killed by Moslem extremists in a dispute over property ownership. Since January, 48 people have been killed and 63 wounded in attacks blamed on militants seeking to force the government to implement Sharia or Islamic law. The casualties include Copts, policemen, extremists and innocent bystanders.

Australia unveils jobs scheme

By Kevin Brown in Sydney

AUSTRALIA'S hard-pressed Labor government yesterday unveiled plans to spend A$767m (US$572.3m) over three years to provide training and subsidised jobs for young workers hit by recession and weak economic recovery.

Mr Paul Keating, the prime minister, said the scheme would cost A$297m this year, A$335m in 1993-94 and A$135m in 1994-95. It follows a A$720m expansion of technical and further education announced earlier this year.

The announcement reflects the government's sensitivity to youth unemployment in the run-up to the next federal election, which must be held by June next year.

The conservative opposition has opened a significant opinion poll lead over the government since total unemployment reached a record 11.1 per cent in June. Nearly 36 per cent of workers under 19 are unemployed.

The spending programme will not be offset by savings from other elements of the federal budget, which is expected to be more than A$12bn in deficit this year, following a deficit of A$9.4bn in 1991-92.

Mancham disputes poll result

SIR James Mancham, the former Seychelles president, cried foul yesterday after losing an election to President Albert Rene, the man who overthrew him 15 years ago, Reuter reports from Victoria.

"We do not consider the election result credible," said Sir James. He returned from exile this year to lead the Democratic party in the contest for seats on a 20-member constitutional commission.

The vote on Sunday was the first multi-party poll for 18 years in this cluster of 115 Indian Ocean islands.

Commonwealth observers judged it free and fair but Sir James accused Mr Rene's Seychelles Peoples Progressive Front of intimidating voters.

Mr Rene's party won 58.4 per cent of the vote and will have 14 seats in the commission, which is to write a new constitution before a presidential election in December.

The Mancham campaign won 33.7 per cent and will have the remaining seats.

Algiers blast linked to fundamentalists

TENSION between the Algerian government and Islamic fundamentalists continued to smolder yesterday as a home-made bomb exploded near a police station in the Algiers neighbourhood of Belcourt, AP reports.

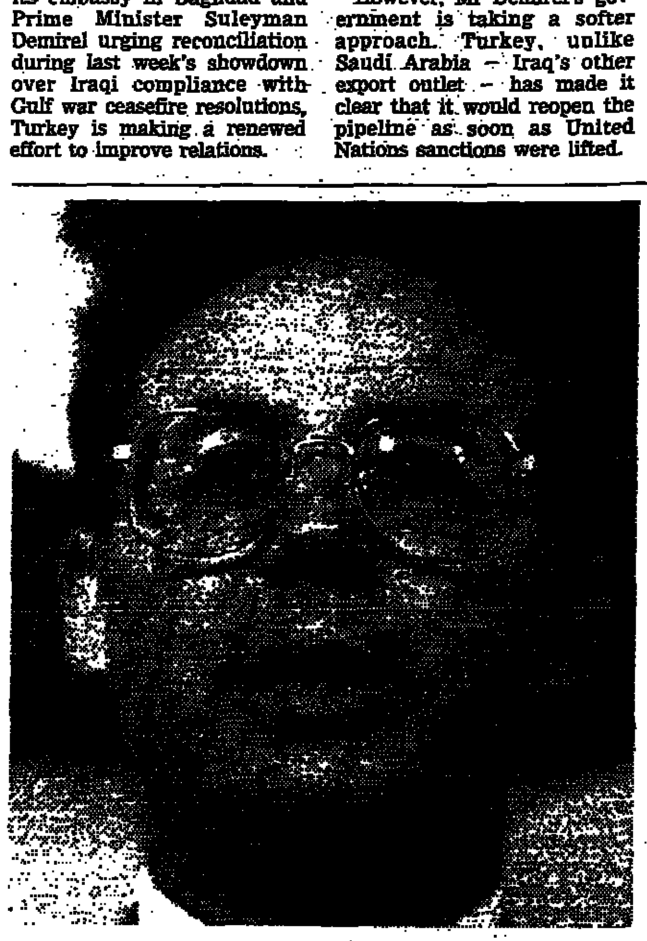
Though no one claimed responsibility for the bombing, it bore the hallmarks of a wave of attacks by fundamentalists on police and troops in retaliation for a harsh crackdown on their movement.

No one was injured in the blast, which occurred in one of the capital's fundamentalist strongholds. The attack followed a bombing early on Saturday in el-Khroub, eastern Algeria, which left three people dead and several others injured. Bombs also exploded last week at a cinema in an Algiers suburb and at the capital's main post office.

The Front for Socialist Forces, a democratic opposition party, said yesterday the attacks showed that the campaign to crush the fundamentalists had failed. "Repression is incapable, by itself, of resolving a problem that is eminently political," it said.

State radio reported that 26 people were detained on Sunday on unspecified charges in Djelfa 125 miles south of Algiers, after clashes between fundamentalists and police on Friday left one person dead and two injured.

The latest bombing followed the arrest of commanders of Algeria's presidential guard and special forces and eight others in connection with last month's assassination of Mohamed Boudiaf, head of the ruling High State Committee.



Israel 'well placed' to take on big foreign debt burden

By Hugh Carnegy in Jerusalem

ISRAEL is well positioned to cope with the big burden of foreign debt it intends to take on to help absorb mass immigration from the former Soviet Union, Mr Jacob Frenkel, the governor of the Bank of Israel, said yesterday.

The government is confident it will shortly get US government guarantees to back $10bn in foreign borrowing after taking steps to meet Washington's condition that it cease expansion of Jewish settlements in the occupied territories.

Left: Mr Jacob Frenkel, Bank of Israel governor, who backs borrowing to help absorb an influx of immigrants

The guarantees are also seen in Israel as the key to winning a further $10bn in loans from international markets over the next five years.

Mr Frenkel rejected suggestions that Israel, which relies heavily on US aid to help service existing debt, could not afford such a heavy load.

He said the ratio of foreign debt to Gross National Product had been reduced from 80 per cent in the mid-1980s to 27 per cent now.

"Israel has positioned itself in the best possible starting point for a borrowing enterprise," he said.

In an interview with the FT, Mr Frenkel said Israel needed such large amounts of foreign capital because domestic sources were not sufficient to match the investment required as a result of immigration, which has totalled around 400,000 in the past 30 months.

"The alternative to borrowing abroad will be less investment today, and less investment today misses the entire point of a successful absorption of immigration in the private sector in the most effective way," Mr Frenkel said.

But he reiterated his insistence the new Labour-led government must use the loans to back a comprehensive programme of market reform, to increase investment in infrastructure and to reduce fiscal deficits, thus ensuring the productive growth that in turn would facilitate debt servicing. He said he was optimistic the government would do so.

Chinese bus plant leased

CHINA has leased a state-owned factory to a foreign company for the first time in four decades, marking another milestone in its efforts to turn around loss-making industries, Reuter reports from Beijing.

The Economic Information Daily said yesterday that a plant in Sichuan province manufacturing buses had been leased for 15 years to a Hong Kong company for $11.5m.

Indian premier gives pledge on Ayodhya site

By Shiraz Sidhvar in New Delhi

MR Narasimha Rao, the Indian prime minister, assured parliament yesterday that the 16th century Babri mosque in the northern city of Ayodhya would not be demolished to make way for a Hindu temple.

The dispute over the future of the mosque has caused communal tension between Hindus and Moslems including rioting in two Indian states last week.

Hindu militants agreed over the weekend to follow a court order stopping construction at the disputed site.

They also agreed to wait for the Indian courts to decide on the dispute. Mr Rao said the government was willing to consolidate all the cases pending in different Indian courts under "one judicial authority" for a speedy verdict on the temple issue. He also suggested the all-party talks resume to solve the temple dispute amicably.

Supporters of the Hindu Parishad (VHP) and the Bajrang Dal, both militant affiliates of the Hindu right-wing Bharatiya Janata party (BJP), have reluctantly agreed to shift their attention for now to another temple at a site nearby in Ayodhya.

Urenco enters Japanese market

By Gordon Cramb in Tokyo and Clive Cookson in London

URENCO, the uranium enrichment consortium which links British Nuclear Fuels with German and Dutch partners, has broken into the Japanese market. Tokyo Electric Power Company (Tepco) has awarded Urenco a long-term contract expected to be worth at least $300m (£157m) over 10 years.

Tepco said that because there were very few international providers of enriched uranium, it had decided to widen its sourcing in order to ensure that its needs were met.

As the country's biggest electric utility, Tepco's choice of Urenco is thought likely to prompt other Japanese regional power companies to follow suit.

Japan is now one of the few countries with a clear policy to expand nuclear generating capacity. Its needs for enriched uranium are currently met by the US, through the Energy Department in Washington, and by the French-led Eurodif.

Tepco said the contract, which runs from 1995-96, had passed all regulatory approvals required by the Ministry for International Trade and Industry.

Urenco is to supply two boiling water reactors which Tepco is building in Niigata Prefecture in central Japan. The deal comes after several years in which it has tried to enter the Japanese market while protecting the centrifuge technology developed by the venture.

Mr J.A. Paleit, Urenco managing director, said the enrichment work would be carried out by all three of the consortium's partners: British Nuclear Fuels, Uranit of Germany and Ultra-Centrifuge of the Netherlands. It is likely to add at least 10 per cent to Urenco's turnover in the late 1990s.

Japan's 42 existing nuclear power facilities all have long-term supply contracts, with further opportunities for Urenco most likely to accompany new plants. Eleven are being built, with 20 more in various stages of planning.

McDonnell Douglas boosts Israeli ties

By Paul Betts, Aerospace Correspondent

McDONNELL Douglas, the US aerospace group, is strengthening its ties with the Israeli aerospace industry by contracting two Israeli companies for additional work worth about $522m (£273m).

The biggest contract, worth around $500m, involves the state-owned Israeli Aircraft Industries (IAI) and includes work on overhauling DC-9 twin-engine commercial airliners and extending IAI's activities on wing components for the US group's MD11 three-engine airliners.

The second contract worth $20m over five years involves the Haifa-based Elbit company, which will produce cockpit displays for the T-45 trainer aircraft system for the US Navy.

The centre piece of this system is the T-45 Goshawk aircraft, the US version of the British Aerospace Hawk trainer in which McDonnell Douglas is prime contractor to the US Navy, and BAe main subcontractor for the airframe.

The US group said it had decided to strengthen its ties with Israeli industry "because of its competitiveness and commitment to high quality".

Under its agreement with McDonnell Douglas, IAI will carry out maintenance overhauls on the first six of a fleet of 26 DC9s formerly owned by Delta Air Lines. IAI would help lease or sell the DC9s.

It was the first time the US group had taken back an entire fleet of aircraft from an operator and begun an extensive maintenance programme, it said. After being refurbished, the jets are expected to be leased back to Delta.

IAI will continue to build all production requirements for MD11 three engine jetliners' fixed leading edge and slat assemblies under an expanded agreement with McDonnell Douglas.

The US company indicated it was continuing to work with airlines in an effort to launch a new four-engine jumbo, the MD12. The company, which originally wanted to launch the MD12 programme this year, is now hoping to launch the new jumbo project next year. But the future of the MD12 programme will critically depend on the US company securing an alliance with international partners.

SII talks open with renewed urgency

Japan's large trade surplus is set to redefine long-term plans, writes Robert Thomson

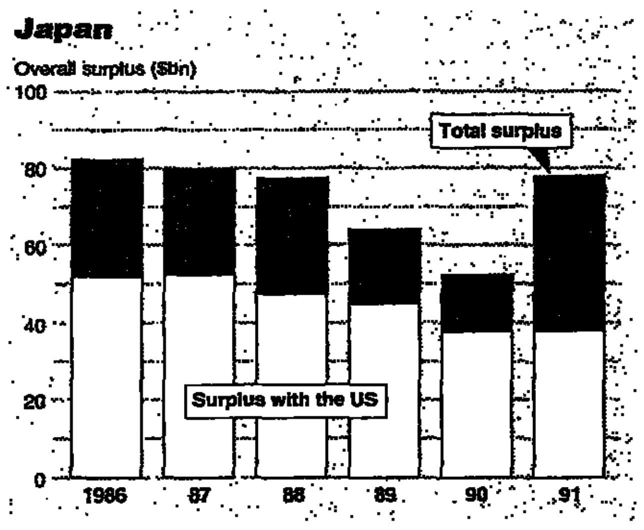
THE US today restarts the hunt for the "structural impediments" said to be behind Japan's persistently large trade surplus, which is set to reach a record $100bn this year.

Two years ago, the two countries signed the Structural Impediments Initiative (SII) pact that left behind day-to-day disputes and attempted to alter the structure of the Japanese economy. US negotiators extracted promises for infrastructure spending, reforms to the distribution system, and a study of the *keiretsu* – the large corporate groups.

The original agreement, which took a year to negotiate, was extraordinarily detailed, with Tokyo agreeing to increase the size of the average Japanese house from 89 square metres to 95 sq m by 1995 and to add 25,000km of footpaths over the next decade as part of the infrastructure package.

SII was repeatedly described as a "two-way street" and, for its part, the US was supposed to overhaul the education system, encourage executives to take a "longer-term" attitude, reduce the budget deficit, and speed the introduction of the metric system.

At the time, the two agreed that the SII promises would need "several years" to take effect, but the surge in Japan's trade surplus this year and an imminent US presidential election will encourage US negotiators to be more impatient during this week's discussions.



Japanese officials say they have reason to be angry because the "US hasn't kept any of its promises and we have done a lot of work," as one negotiator put it.

The Japanese will produce the original report and emphasise that little has been done on the deficit, the US corporate culture and even the metric system.

A more assertive Japan will complain about "Buy American" campaigns, which, it argues, creates obstacles for overseas companies attempting to penetrate the US market.

The Japanese government is concerned that the flagging popularity of President Bush will prompt a tougher US response. The US Trade Representative's office saw SII as a means of avoiding managed trade, but the size of the US bilateral deficit and of Japan's overall surplus have made easy-to-define concessions a political priority for the US Administration.

In spite of SII, Japan accounted for 62 per cent of the US trade deficit in May and 74 per cent in April, while Japan's overall trade surplus rose 49 per cent to $77.8bn last year and was a record $49bn in the first half of this year.

The US will ask Tokyo to stimulate domestic demand and will again call for studies of the country's corporate culture. The US wants further vigilance in the monitoring of anti-monopoly laws and investigations into the business habits of large trading houses.

One of the more obvious changes in Japan since SII has been the increasing prominence of the Fair Trade Commission (FTC), the anti-monopoly body.

On Friday, the commission imposed surcharges totalling Y1.4bn (£5.85m) on 28 companies in four industries for price fixing and cartel violations. Two weeks ago, 166 construction and related companies were ordered to disband a cartel in central Japan for allegedly rigging bids for public works projects.

The FTC's success has prompted US officials to believe that cartels remain commonplace and that the country's corporate structure is, by its nature, restrictive.

Regardless of the merits of Japan's structure, there are differences in the relationship between manufacturers and their component suppliers. The Mitsubishi Research Institute has just found that 96 per cent of large Japanese manufacturers hold shares in subcontractors, while the figure in the US is only 15.6 per cent.

However, the Ministry of International Trade and Industry (Miti) emphasises that there is nothing unique about the *keiretsu*. Miti officials will tell US negotiators that Deutsche Bank has stakes in a range of leading German companies, and that Morgan Guaranty Trust has small holdings in companies such as IBM and Mobil that resemble the strategic stakes common in Japan.

The US is unlikely to be convinced and will press that private procurement practices be made more transparent. A separate Miti survey of 247 manufacturing companies found that only 25 per cent have their sourcing requirements in written form and 31.3 per cent have anti-trust guidelines.

The US is also set to raise the issue of Japan's convoluted distribution system again, most likely as part of its assault on the corporate groupings. They are likely to find Miti more defensive of the "distribution *keiretsu*", which "offer a balanced mix of competition and co-operation".

EC offers offset tariff cuts

THE EC yesterday sounded out major partners in Gatt to see if they would be satisfied with lower Community tariffs on other farm products as compensation for the damage they claim to have suffered from EC protectionism on oilseeds, David Buchan reports from Brussels.

The EC's executive Commission planned to discuss reaction to its offer, made yesterday, with EC governments on Friday, so talks could end by August 18. This is the deadline for the Gatt negotiating procedure, where Brussels has offered to compensate its partners rather than make another change to its oilseeds system.

S Africa 'dumping' inquiry

THE European Commission is investigating charges that South African manganese steel wearparts are being dumped at unfairly low prices on the EC market, Reuter reports from Brussels. The South African market share was said to have reached 26 per cent in 1991. The share was higher in Britain and France, the EC's two main producers of wearparts – manganese steel castings used in machinery and liable to be worn away by the material processed.

NEWS IN BRIEF

FT and Izvestia in joint business publishing deal

THE Financial Times and Izvestia, the leading quality daily in what was the Soviet Union, yesterday announced a joint business publishing venture, Raymond Snoddy reports. Starting in October, the 300,000 Izvestia subscribers in the Moscow area will receive a weekly eight-page Russian-language business supplement. It will be printed on pink paper and be called Financial Izvestia.

The longer term aim is to turn the supplement into a jointly owned stand-alone weekly publication devoted to the economies of the former Soviet Union. If the project is a success, there would also be the eventual possibility of a daily business paper.

Mr David Palmer, chief executive of the Financial Times, said yesterday: "The FT-Izvestia project is most exciting. The market for Russian-language and financial news is largely untapped." Mr Igor Golembiovsky, Izvestia's editor-in-chief, said that for advertisers the venture would represent "a unique opportunity to reach decision makers in the most exciting developing market in the world".

Advertisers will be offered an introductory rate of $10,000 a page. The venture is a high risk one. Earlier this month, there was an unsuccessful attempt to re-nationalise Izvestia. The new supplement will draw on the resources of both papers to provide readers with coverage of both Russian and international business and economic affairs. For some years the FT has been interested in exploiting the content of the paper through joint ventures in other countries and languages.

Ingersoll-Rand Russian venture

Ingersoll-Rand, the US industrial and construction equipment maker, yesterday announced a joint venture to manufacture power tools in Nizhny-Novgorod, formerly the closed city of Gorky in Russia, Andrew Baxter reports.

The new company, Instrum-Rand, will be majority-owned by the US concern, which is paying $4m, mostly in the form of equipment to modernise Mekhinstrument, a partner in the venture. The third partner is Gorky Automobile Factory, (GAZ), Europe's biggest truck manufacturer.

Japan to discuss new air routes

Japan will discuss opening new air routes with the US and Russia to ease congestion on existing US and European routes, an official of Japan's Ministry of Transport said, Reuter reports from Tokyo. The talks will be held in Khabarovsk, Russia, for three days from July 29.

The new US route will connect Alaska with Japan's Hokkaido Island, passing through Russia's Kamchatka Island, and is likely to open at the end of 1992 or in early 1993. The US and Russia had agreed to open the route in June, and this week's talks will centre on co-ordinating air traffic control between the three countries.

There are currently five air routes connecting the US and Japan. Japan and Russia will also discuss opening a second air route between Japan and Europe, flying over Siberia, likely to open about the end of 1992 or early 1993.

Jakarta updates trademark law

Indonesia has updated its trademark law which should give more protection to trademark owners, analysts said, Reuter reports from Jakarta. But the first new trademark law in 31 years, which takes effect next April, could take a while to bite.

The new law will stop the Indonesian trademark office giving licences to new users of widely known trademarks. Local businessmen have registered duplicates and tried to sell them back to the original owners. The law includes criminal charges against "copycats" and allows appeals before a licence is awarded. Violators could face seven years' jail.

Nasa battling to save space station plans

By George Graham in Washington

THE US National Aeronautics and Space Administration (Nasa) faces a critical battle this week to save plans for a manned space station, when the House of Representatives decides whether to continue financing the ambitious project.

Nasa wants to start launching components of the space station into orbit in 1995, and for it to have a permanent four-person crew from the end of 1999.

Opponents, however, want to end space station funding before so much has been spent on its development that it cannot be halted.

As national concern spreads over the yawning federal budget deficit, the space station is one in a number of prestigious but costly programmes to become a target for congressman seeking to rein in government spending.

Like the superconducting supercollider – an $8bn (£4.1bn) scientific research project killed by the House in June but revived this month by the Senate – and the Strategic Defence Initiative, known as Star Wars, the space station's critics question both its cost and scientific justification.

Nasa has already spent $7.8bn on the station's development, and is estimated to need another $30bn-$40bn over the next six years. Broader estimates of the cost of building, launching and operating the station run as high as $180bn.

The agency wants to use the station to study effects of prolonged space flight on humans and to conduct biomedical research in weightless conditions.

Critics counter that Nasa could learn more about the effects of long space flights by co-operating with Russia, which has accumulated considerable experience with its space station. They argue that Nasa has grossly inflated its claims for the space station's research value, and that its huge cost will suck funding away from other more valuable research projects.

Two distinguished biochemists writing in the Washington Post newspaper yesterday argued: "We are many times more likely to achieve significant knowledge here on the planet than in space, and to do so a lot more cheaply."

> 'We are many times more likely to achieve significant knowledge here on the planet than in space, and to do so a lot more cheaply'

Congressman Bob Traxler, whose appropriations subcommittee controls Nasa's purse strings, tried last year to kill the space station programme but was overruled by the full House.

This year his committee has left the space station untouched. But Mr Traxler plans, when the measure is debated by the full House this week, to propose an amendment to strike out the $1.73bn pencilled in for the project in 1993.

While Congress is showing a greater appetite for spending cuts this year, the vote is still expected to go in favour of the space station, which is fiercely backed by members whose states benefit from the 75,000 private-sector jobs the project will create.

According to Space News, a weekly journal on the industry, 24 states have space station contracts worth at least $1m, with spending mostly concentrated in California, Texas and Alabama.

Peru comes to terms with creeping civil war

Moves toward martial law have met popular approval, writes Sally Bowen

AFTER 12 years of violence which has cost 26,000 lives and $20bn (£10.4bn) in damage, Peruvians seem ready for the first time to admit they are witnessing a civil war.

President Alberto Fujimori's announcement last week that those accused of terrorism are to be tried under martial law – with the prospect of the death penalty for treason – has met popular approval.

In the run-up to today's Independence Day celebrations, Peru's fundamentalist Maoist guerrilla group Sendero Luminoso spread panic among the capital's still-affluent middle classes. Twelve days and nights of bombing left 35 people dead, hundreds injured and buildings wrecked.

For the first time Sendero hit civilians, including schoolchildren, indiscriminately.

The onslaught forced Mr Fujimori to cancel his trip to last week's Ibero-American summit in Madrid. In a long-delayed and terse televised message on Friday he vowed that "those who are bleeding Peru to death, killing our children, destroying what they did not create, will be eliminated. Them and their poison."

Sendero is thought to have brought up to 1,000 guerrillas into Lima for the current campaign, which analysts predict will continue for a further two weeks. Fifteen car bombs exploded while a similar number were disarmed. A two-day "armed strike", enforced with menaces and killings, paralysed the capital's public transport system and led to substantial lost production.

The government's counter-subversive strategy has again prompted heavy criticism.

Despite some successes against subversion in recent weeks – notably the capture of leaders of the Tupac Amaru revolutionary movement (MRTA), Peru's second guerrilla group, and the dismantling of its extortion racket – Sendero's strength has been little affected.

The recent meticulously-planned actions in Lima suggest the much-publicised capture last month of Sendero's "logistics chief" was less significant than the government had claimed.

Mr Carlos Tapia, a sociologist and expert on Sendero, says: "It is not true that Sendero is entering Lima because it has been routed in the highlands. The government thinks that by announcing imminent defeat and twisting the truth, they really will make that defeat happen – but it's not so."

Mr Fujimori has often said his counter-subversive strategy depends on improved intelligence gathering. Yet analysts say there has never been such a dearth of warnings on big attacks.

Once again they blame disarray in the intelligence services on Mr Vladimiro Montesinos, the powerful presidential adviser. The former army captain has given top military posts to friends, eliminating the normal armed forces' promotion structure and causing deep resentment.

Also alarming is the threat of Sendero's influence spreading to the rest of the continent. Recent Sendero-linked attacks have been reported in Chile, Bolivia, Ecuador and Mexico.

Mr Enrique Bernales, the now-deposed senator responsible for the most reliable statistics on violence and subversion in Peru, says: "Of all possible scenarios, this prospect of Peru being ringed by a political/military cordon sanitaire is the worst."

Sendero poses far more than the threat of brute violence. Now entering what it calls its "fourth campaign", the organisation is passing from "strategic equilibrium" to "strategic offensive". Unusually sophisticated leaflets widely distributed before last week's armed strike offer a 22-point political programme with broad popular appeal – amid familiar Marxist rhetoric were calls for cuts in taxes, public service tariffs and fares, higher wages and pensions, homes for the homeless, improved health and education services and no privatisation.

President Fujimori: cancelled trip to summit

"The Fujimori coup has done Sendero a favour," says Mr Hernando de Soto, former presidential adviser and think-tank chief. "By destroying the credibility and legitimacy of government, he's left a political vacuum which Sendero is ready to fill. This requires a political, not a purely military, response."

Despite a second devastating bomb attack on his Lima institute, Mr de Soto is continuing to visit a series of Lima universities – known to harbour cells of Sendero sympathisers – to press his proposals for a return to democracy in November.

But in the present climate of violence and uncertainty, electing a constituent Congress to pave the way for a return to democracy is the last thing on most Peruvians' minds.

US recovery fears heightened

FALLING house sales and weaker business confidence have reinforced economists' fears that the US recovery, already one of the slowest on record, may once again be losing steam, writes George Graham.

The National Association of Realtors said yesterday the sales of previously owned houses fell 2.9 per cent in June, the third consecutive monthly drop.

Although home sales rose in the north-east, they fell sharply in the mid-west and west.

"We've been experiencing a stall within a rise," said Mr John Tuccillo, an economist with the association.

At the same time an index of business confidence produced by Cahners Economics, a Massachusetts-based forecasting group, showed a sharp drop in July. The survey showed businesses were particularly pessimistic about the chances of increasing workforces.

Mr Daryl Delano, senior economist at Cahners, said: "These numbers are fairly convincing evidence that the recovery had once again stalled before the Federal Reserve's interest rate cut on July 2."

He said the effect of lower interest rates had not become clear when businesses were questioned, prompting an unusual degree of uncertainty among planners.

Economists expect the rate cut to boost sales in coming months as mortgage rates fall.

USAir named in lawsuit after New York crash

USAIR, the US airline in which British Airways plans to invest $750m (£392m) for a potential 44 per cent stake, is among four companies named in a lawsuit filed on behalf of two victims of the La Guardia crash in March, writes Nikki Tait in New York.

Twenty-seven passengers died when a USAir Fokker F28 veered off a runway on March 22 at New York's La Guardia airport and ended up in the icy waters of Flushing Bay.

The lawsuit, filed in northern Ohio, seeks a total of $80m in damages from USAir, Fokker Aircraft USA, Dow Chemical and Rolls-Royce.

It alleges that Dow Chemical, which made the de-icer used on the plane, and the other companies "knew or should have known that the de-icer they were using was not effective on this particular airplane in these circumstances".

Mexico to turn away aid for drug fight

By Damian Fraser in Mexico City

THE Mexican government will no longer accept aid from the US to combat drug trafficking, according to Mr Ignacio Morales Lechuga, the attorney-general. Aid would be refused from this month, he said.

The move seems to be in retaliation for the US Supreme Court ruling in June upholding the kidnapping of the Mexican murder suspect, Dr Humberto Alvarez Machain, by agents working for the US Drug Enforcement Agency.

Mr Morales Lechuga said of DEA activities in Mexico: "If you are a guest in a house you can't act like the host."

The aid amounted to $48m (£25.1m) last fiscal year. The attorney-general said in an interview with the New York Times that the decision to refuse US money would not impede Mexico's fight against drug traffickers.

The government continues to bridle at the refusal to return Dr Alvarez Machain to Mexico for trial, and is seeking to amend the countries' extradition treaty to make such kidnappings illegal.

Last week Mr Santiago Onate, attorney-general for environmental protection, said that environmental co-operation between the US and Mexico had been made more difficult by the Supreme Court ruling and, by implication, Washington's refusal to return Dr Alvarez Machain. The Mexicans may not allow joint inspections of border factories, or joint settlement of environmental disputes.

Mexico had originally said after the court ruling that it would suspend activities of the DEA, but a day later it reversed its decision. The U-turn has been explained in some quarters by the Mexican government's fear of upsetting US legislators while North American free-trade agreement (Nafta) talks enter their most critical stage.

Lloyd's council told to quit by angry Names

By Richard Lapper

THE RULING council of Lloyd's faced resignation calls yesterday at an angry extraordinary general meeting attended by over 2,500 Names, the individuals whose assets provide the market's capital.

The atmosphere was markedly more tense than at the annual general meeting in June, when Lloyd's reported its record losses of £2.06bn for the 1989 year.

The meeting set the agenda for a postal ballot in which all 32,000 Names will vote on demands for further reforms, to the beleagured insurance market.

During the meeting Mr David Coleridge, the chairman, confirmed he would resign at the end of this year and nominated Mr David Rowland, to take over. Mr Rowland, currently chairman of Sedgwick, must first seek election to the council before he can become chairman.

As the author of a reform programme, which Lloyd's agreed to implement earlier this year, he has widespread support within the market.

The EGM followed an initiative by Mr Claud Gurney. Mr Gurney said Names had "an opportunity to say goodbye to the old order" which was characterised by "incompetence and ineptitude."

"We deserve, they owe it to us, to be given an independent chairman so that Lloyd's could be run in the best interests of all the members."

Mr Neil Shaw, chairman of the Association of Lloyd's Members, which represents 9,000 Names, urged Names to vote for an alternative motion backing the council and supporting implemention of the task force reform programme.

Mr Shaw said the reforms – which include a modification of the principle of unlimited liability and the introduction of corporate capital – would "produce a new Lloyd's that is stronger and much more efficiently managed."

At present agents and brokers are aiming to produce a fund of £50m. This "would fall well below the expectations and indeed the needs of those concerned," Mr Shaw said.

Buyers gather for coach operator's customer data

By Michael Skapinker, Leisure Industries Correspondent

AROUND 20 companies have expressed an interest in buying the customer database of Land Travel, the UK coach operator which collapsed last week.

Mr Robert Buller of liquidators Grant Thornton said yesterday that most of the potential buyers were travel companies who were experiencing a difficult season and wanted to increase their sales.

He said that the sale of the database would not provide funds to compensate the estimated 50,000 people who booked holidays with Land Travel or the 2,500 who had their holidays cut short. Land Travel was not a member of the Association of British Travel Agents or the Bus and Coach Council or part of any money-back scheme.

Any money from the sale would go towards the cost of the liquidation, Mr Buller said.

He said there was little prospect of a buyer wanting to purchase the company itself.

Mr Nigel Griffith, Labour's consumer affairs spokesman, said the government should consider paying compensation to customers who had lost money in the collapse.

Mr Griffiths said: "For the past eight weeks it has been the talk of the travel trade that this company was in trouble."

Labour steps up attack over economy

By Ivo Dawnay, Political Correspondent

BRITAIN'S opposition Labour party is to revive the charge of Thatcherite ideological dogmatism against the government as a central theme of its campaign on the economy.

The opposition leadership will also accuse Mr John Major, the UK prime minister, of underestimating the recession, misleading the public during the election and complacency in the face of mounting unemployment and business failures.

A detailed strategy, to be agreed at tomorrow's first meeting of Labour's new cabinet, intends to keep ministers on the defensive while stimulating Conservative unease – already stirred up by the efforts of Tory Euro-sceptics.

Mr Gordon Brown, Labour's chief finance spokesman, has begun by charging Mr Norman Lamont, chancellor of the exchequer, with "arrogant complacency" over the recession. Later this week, he expects to present policy options to back up his critique that the notion – "there is no alternative" – is fallacious.

Party officials are convinced that the failure of the economy to take off in the wake of the Conservative election victory has offered them a seam of opportunities to subvert an already vulnerable chancellor.

Officially, Labour claims that the government was aware even before the day of the election that an upturn was never on the cards. It will charge the Tories with "lying" to the electorate.

There is some evidence, however, that the continued economic gloom was as unexpected by Labour as it appears to have been in government circles.

Also close to the top of the agenda of Mr John Smith, the new Labour leader, is Europe. He is looking for a policy stance that will stifle calls for a referendum on the Maastricht treaty while keeping the party united around the pre-election policy of support for the treaty's goals.

British Rail forms subsidiary to run Channel rail link

BRITISH Rail, the state rail network, has created a wholly owned subsidiary called Union Railways to take responsibility for building the planned £4.5bn rail link between London and the Anglo-French Channel tunnel, writes Richard Tomkins.

Mr John Prideaux, formerly managing director of BR's new ventures division and chairman of the new company, said the aim was to give people working on the link more focus and motivation.

It is also likely, however, to be seen as paving the way for the managers of the project to bid for control of it under the government's proposals to privatise BR.

Several failed attempts to start construction of a Channel tunnel rail link culminated last year in the government's decision that BR should produce revised proposals for a route taking an eastern approach to the capital through Stratford, east London.

The government said that once the route had been decided, the private sector should take the project forward; but it is not yet clear whether the private sector will be interested.

Mr Prideaux said that he expected to set out the main options by the end of the year, complete with the economic appraisals and options for public-sector and private-sector funding.

Government legislation, he hoped, would be introduced so that the line could be ready by the turn of the century, he said.

Mr Prideaux added that he thought the private sector would only want to get involved in the project after legislation had been passed, so Union Railways should have a life of at least three years.

Liquidators prepare to strip Maxwell assets

MR KEVIN Maxwell, whose late father, Mr Robert Maxwell, was one of the UK's richest, is on the verge of being made Britain's biggest bankrupt.

On August 17 Robson Rhodes, liquidators of Bishopsgate Investment Management (BIM) who have already won a judgment against Mr Kevin Maxwell for more than £400m, will ask the High Court to declare him bankrupt.

They believe that judgment will give the best chance of gathering assets for Maxwell creditors.

The High Court granted the liquidators final judgment on the grounds that Mr Maxwell had no defence to allegations of breaches of his fiduciary duty as a director of BIM, from which hundreds of millions of pounds of Maxwell companies' pension funds are missing.

The liquidators are currently seeking final judgment on an identical claim against Mr Maxwell's brother Ian.

Robson Rhodes have wasted no time in moving against Mr Kevin Maxwell. The judgment against him was obtained only on July 20. The liquidators then served a statutory demand for payment of the judgment debt.

Normally three weeks are allowed for compliance with a statutory demand but the law permits abridgement of that time "if there is a serious possibility that the debtor's property or the value of any of his property will be significantly diminished during that period."

The liquidators hope also to short circuit the normal procedure of the appointment of an interim receiver, followed by the official receiver, who would take possession and control of the debtor's assets. They hope to get the immediate appointment of a trustee in bankruptcy, who would become the legal owner of Mr Maxwell's assets.

Facing the court: Kevin Maxwell arrives at the London Law Courts, where liquidators are seeking a bankruptcy ruling

In an affidavit sworn after his father's death, Mr Kevin Maxwell put his assets at £1.6m. They included a house in Chelsea, owned jointly with his wife Pandora, a château in Lot et Garonne, France owned jointly with Ian, £45,000 owed to him by his mother, a £25,000 Morgan car, and a £2,000 horse.

Less is known about the assets of Mr Ian Maxwell, who lives in a £400,000 flat in Belgravia registered in the name of his wife Laura.

Robson Rhodes, meanwhile, are confident that the trustee's authority will be recognised overseas and will achieve quicker access to information – and assets – than government agencies which use diplomatic channels.

The trustee is likely to focus in particular on areas such as Liechtenstein, where trusts are suspected of holding the key to a secret Maxwell pot of gold, and the US, where companies in which members of the Maxwell family had directorships or shares are suspected of having been used as vehicles for transferring cash beyond the more visible parameters of the Maxwell empire.

Administrators of Maxwell companies have already begun legal action in the US, believing that transfers to Leichtenstein companies occurred before and after Mr Robert Maxwell's death last year.

Although not named in court, two companies – PH(US) Inc, a US company controlled by Swico Anstalt, a Leichtenstein company that is part of the Maxwell Foundation, and Sphere Inc, a Californian computer games business also controlled from Leichtenstein – are the focus of this legal action. The Maxwell family's Liechtenstein associates made it clear last January that they were eager to co-operate with British investigators.

Local lawyer Mr Werner Keicher, who is also a director of the Maxwell Foundation, has said that a way had yet to be found under Leichtenstein law to release assets. He also said there was a problem in sorting out the various competing claims of demandeurs.

The trustee will look at the assets of Mrs Pandora Maxwell, including a £300,000 Oxfordshire house, to satisfy themselves that the ownership is genuine. A bankruptcy trustee has the power to take back from a wife anything given to her by the bankrupt within the previous two years.

After the trustee has gathered all the available assets he will distribute them to creditors. Priority goes to preferential creditors, such as the Inland Revenue

During his bankruptcy, which could last for years, Mr Maxwell would be debarred from being a company director or involved, directly or indirectly, in the management of any company.

Jimmy Burns, Raymond Hughes and Ian Rodger

Britain in brief

Electricity watchdog probes prices

Professor Stephen Littlechild, the electricity regulator, has written to National Power and PowerGen, the electricity generators, asking them to explain why electricity prices have risen sharply since May.

The move could lead to a full investigation of electricity prices, and might end with the two generators being referred to the Monopolies and Mergers Commission.

Professor Littlechild's letters were written after large electricity consumers from the Major Energy Users Council, a lobby group, complained in May that electricity prices were too high.

Bingham report delivered

Lord Justice Bingham's report on the closure of the Bank of Credit and Commerce International, the corrupt international banking group, has been delivered to the Treasury and the Bank of England.

Lord Bingham was commissioned last year by the Treasury and the Bank to investigate the roles of the Bank of England and other official bodies in the events leading up to BCCI's demise in July 1991.

The Treasury has said it wants to publish as much of the report as it can. Its lawyers will determine what can be released without prejudicing future criminal prosecutions or infringing the Banking Act. Publication is unlikely until early September.

Ulster meeting planned

The British and Irish governments are due to meet in Dublin today in the last round of the Strand Three talks on Northern Ireland's political future, before adjourning all stages of the talks until September 2.

The meeting takes place following declarations made at the weekend, by Mr Ian Paisley, the leader of the pro-British Democratic Unionist Party in Northern Ireland, that the talks will be "finished" if the Irish government does not make a commitment to hold a referendum on the controversial Articles Two and Three of the Irish constitution, when the Strand two talks resume in September.

The Articles make a territorial claim to Northern Ireland by the Irish Republic.

Mr Albert Reynolds, the Irish prime minister has rejected the idea of a referendum as being "implausible".

Engineering boost urged

A joint effort by government, academia and industry is needed to boost investment in engineering research and development, the Institution of Mechanical Engineers urges today.

The proposal for a forum to co-ordinate action is one of 10 recommendations by the institution in a report which highlights the lack of investment in UK engineering R&D compared with countries such as Germany and Japan.

The institution, which represents more than 78,000 engineers, says investment in R&D is of critical importance in the coming decade and beyond for improving the inadequate performance of manufacturing.

Home lending up slightly

Bank lending for house purchases increased modestly in the second quarter, but the rise did not represent a real improvement in the housing market, according to the British Bankers Association.

The latest quarterly figures from the BBA, the trade body for Britain's nine biggest banking groups, showed that mortgage lending in the second quarter was £4.2bn compared with £3.6bn in the first quarter and £4.1bn a year ago.

Land values fall further

Residual land values, a sensitive indicator of the property industry, are still falling in most parts of the market, according to a new survey.

The report, by Hillier Parker, chartered surveyors, showed that such values in central London are between 17 and 8 per cent of their peak in 1989.

Residual land values, which are closely linked to the viability of property development, are calculated by subtracting development costs from the capital value of a potential development.

Protest mars fourth test

Managers of the Pakistani cricket team touring England have reprimanded a player who protested at an umpiring decision during the fourth five-day test match against the English national side.

Rashid Latif was fined £120 by the English Test and County Cricket Board after throwing down his cap towards the end of the match at Headingley, northern England. England won by six wickets.

Launch date for Classic FM

Classic FM, the UK's first national commercial radio station, plans to launch on September 7.

The 24-hours a day station has chosen 5,000 pieces of classical music rated for accessibility by a music adviser and scheduled by computer. "By Christmas we hope to have 10,000 pieces," said Mr Michael Bukht, Classic FM's programme controller.

Bridging the gap: Teesside's Transporter Bridge reopened yesterday following repairs which tested the ingenuity of engineers. Opened in 1911 to link the north east steel works and shipyards which lined the River Tees, the Transporter was designed to carry cars across the river on a moving deck suspended at road level. It closed in 1990 for repairs which cost around £150,000.

OLYMPIC NEWS IN BRIEF

Diving gold for China

World champion Fu Mingxia extended China's domination of women's diving by winning the Olympic platform gold medal in breathtaking style.

Fu, 13, was diving against herself during the latter part of the competition. so complete was her mastery over the other 11 entrants.

She eventually finished with 461.43 points, nearly 50 ahead of Elena Mirochina of the Unified Team. Mary Ellen Clark of the US was third.

UK in rowing semi-final

British rowing star Steve Redgrave exuded Olympic class yesterday, cruising into the semi-finals of the coxless pairs with Matthew Pinsent. The Britons beat Slovenian rivals *Iztok Cop and Denis Zvegalj with the day's fastest time.*

Broome injured

David Broome's hopes of competing in a sixth Olympics seemed to be hanging in the balance as the veteran showjumper was recovering from a *fall* from his horse in a pre-Games event. The 52-year-old, who first competed in the Games in Rome 32 years ago, injured his ribs in a tumble from a possible Olympic mount while riding in France at the weekend.

Japan volleyball win

Japan were awarded victory in a controversial Olympic volleyball match against the US which the Americans originally won 3-2. The outcome of Sunday's game was reversed after a Japanese protest was upheld by the International Volleyball Federation.

CIS win freestyle relay

The CIS won the men's 4 x 200 metre freestyle final in a world record 7 minutes 11.95 seconds, followed by Sweden on 7:15.51. The US were third with 7:16.23. Britain came 6th on 7:22.57.

Hungarian Tamas Darnyi, 25, broke his own Olympic record from 1988 to win the 400m individual medley in 4:14.23, ahead of Eric Namesnik of the US in 4:15.57 and Luca Sacchi of Italy in 4:16.34.

Fourteen-year-old Kyoko Iwasaki of Japan won the 200m *women's breaststroke in an Olympic record 2:26.65. Lin Li* of China came second in 2:26.85, with Anita Nall of the US third in 2:26.88.

Nicole Haislett, the top US female swimmer, surged in the final 50m of the women's 200m freestyle to finish in 1:57.90 from Franziska Van Almsick of Germany on 1:58.00. Kerstin Kielgass of Germany won the bronze in 1:59.67.

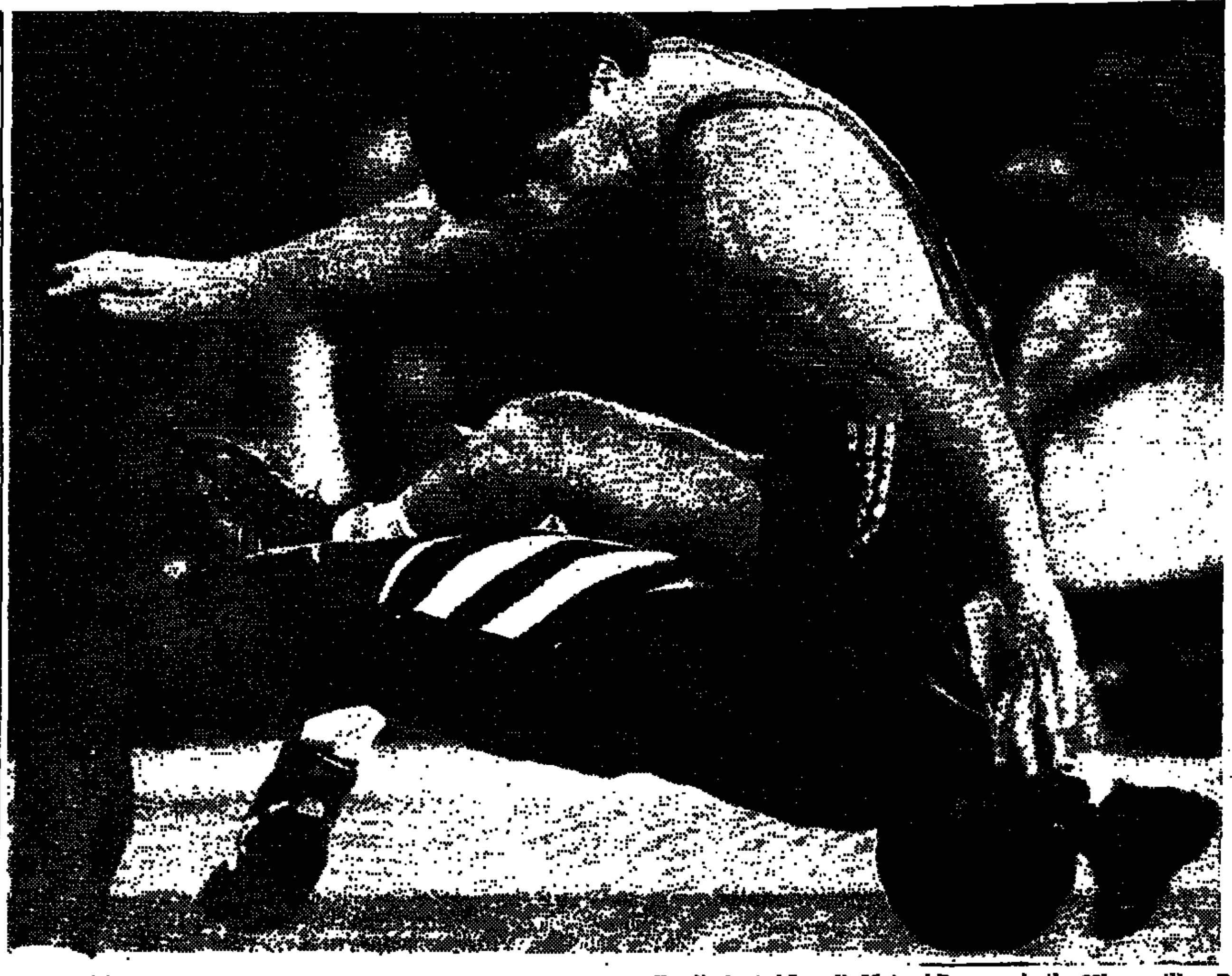
Pablo Morales came back from a 3½-year lay-off by winning the 100m butterfly, finishing in 53.32secs from Rafal Szukala of Poland in 53.35 and Anthony Nesty of Surinam, in 53.41.

Cycling record for Boardman

Britain's Chris Boardman came first with a world record of 4 minutes 27.357 seconds in the first heat of cycling's individual pursuit. J Lehmann of Germany came second, with M Kingsland of Australia third.

Early bath for Turkish rower

Turkish rower Ali Riza Bilal's Olympic dreams were washed out when he fell into Lake Banyoles halfway through his *single sculls heat.*



Force and finesse: American Rodney Smith (left, upside down) eventually eliminated Israel's Matwai Baranov in the 68k wrestling. Right: gymnast Shannon Miller, of the US team, tip-toes on the beam

Soccer: the good, the bad, the ugly

Peter Berlin describes a contest between men and boys for gold, dollars – and glory

THE first of the Olympic soccer matches played in Barcelona called to mind a philosophical conundrum that has long baffled bar-room philosophers. When is a soccer ground half full and when is it half empty?

A crowd of 18,000 went to the 120,000-capacity Nou Camp stadium to watch Italy beat the US. To Italy's top young professionals, such as Renato Buso, *whose previous big-time match* had been in front of 80,000 fans at Wembley in the European Cup final, Nou Camp must have seemed almost empty. To the US college students, the noisy fans who did come made the arena seem almost full.

Italy and Spain are the two most talented of the 16 under-23 teams which are contesting the Olympic soccer tournament. The Italian team is packed with players from Juventus, Sampdoria and AC Milan. Many of the Spaniards play for Real and Atletico Madrid, and Barcelona.

But here Spain and Italy have a problem.

Before the tournament, the Spanish squad threatened to strike. *They wanted more* money. They knew that the Olympics needed a good home squad to fill seats.

With games at the Nou Camp and three other 40,000-capacity grounds, the soccer tournament accounts for half the Olympic tickets on sale to fans. The Spanish players also argued that they might be injured in the Olympics. Their professional careers, they claimed, were not worth sacrificing for a mere gold medal. For them, the Olympics represent risk.

In the US, in contrast, there is almost no professional soccer. For the American players, and for those from eastern Europe, Latin America and Africa, the Olympics are a shop window. The Games give them a chance to gain what the Italians and Spaniards have and fear losing. If Italy or Spain do not win the Olympic gold, it will be because will has triumphed over skill.

It was no surprise, then, that against Spain last Friday the Colombians came out kicking. But in front of their fans the home team held their nerve, kicked back and made their talent count in a 4-0 Group B win. In Group C, Tomas Brolin, a star in Italy, and Joachim Björklund both played with the same ferocity they showed for Sweden in the recent European championships. The Paraguayans clattered into Brolin but he clattered back.

This is not to say the game was dirty. Outside the UK, players today are trained to use violence with discretion and the Swedes and Paraguayans are above all else well trained. The Swedish team is made up of men who recently followed a long league season by reaching the semi-finals of the European championship and the final of the European Under-21 competition (they lost to Italy). Perhaps they are jaded, but I doubt it. The short, round Brolin apart, they are a collection of strapping young athletes, fit, strong, brave, their every move drilled and safe and predictable.

The Paraguayans, meanwhile, adopted the underdog tactics encouraged by tournaments with a group format: play for a draw and hope something will turn up. The game's few sparks came from Brolin. That is why he is being paid a fortune to play in Italy while his team-mates are merely well paid and play in Scandinavia.

Mercifully, the Italian team has flair to spare. If they had played 90 minutes against the US as they did the first 21, they would have won by an American football score. Instead, they stopped trying. They allowed the US to regroup, conceded a goal and ended the game hanging on to a 2-1 win.

Even so, it was a contest between men and boys. The difference in the stature of soccer in the two countries was clearly demonstrated by differences in the stature of the players. The Italians, 1.6kg a man heavier and 8cm taller, simply looked more adult alongside the shorter, chunkier Americans. In Italy, professional soccer has first call on the nation's athletes; in the US the big men traditionally play football or basketball.

On the other hand, everyone here is desperate for the US to do well so as to kindle enthusiasm for the 1994 World Cup. They are unlikely to win a medal, but there are encouraging signs. In the 1990 World Cup the US took on the full Italian team with a squad of well-disciplined athletes. This team contains players prepared to trust their soccer instincts, such as winger Cobi Jones and midfielder Claudio Reyna.

Traditionally, developing nations offer first the flair of ghetto football and graft on discipline and work-rate later. The US, *which started by* pinching athletes who were not big enough for other sports, are developing in reverse.

Against Italy, Jones, the smallest player on the field, took on and beat the hulking Italian full backs Baggio and Matrecano.

Everywhere they look in Barcelona the American soccer players *will see the Olympic* mascot and be reminded of the humiliation they received at the feet of his equally cuddly namesake. But even in defeat, Jones did his prospects of a lucrative contract far more good than any of the Swedes or Paraguayans did in avoiding defeat.

Meantime, Fifa, soccer's governing body, has fiddled with the rules again. It has decided that goalkeepers may not handle back passes. This, says Fifa, will get rid of "negative" football. The Olympics is the first big competition to be played with the new rule.

How the rule will effect play is not crystal clear because the players have not yet absorbed it. Indeed, the Swedes did not even know that the rule covered back headers, too.

Certainly fewer defenders have turned, when in no danger, and passed 30 metres back to the 'keeper. But they will start to do so again when they realise that if the goalie is unmarked he can still trap the ball with his feet, jog out of the area and welly *the ball down* field.

In tight defensive situations, though, the new rule has transformed play. In the first 20 minutes of their match, Buso and his Italian colleagues pressed the US defenders relentlessly. Sometimes the US played the ball creatively out of defence: more often they *panicked and belted it* anywhere – usually to the Italians close to goal – or panicked and did not belt it anywhere.

Once they adjust to the new rule, players can worry again whether the stadium is half full – or half empty.

Hatchet blade may have the edge

Keith Wheatley on a new development in rowing technology

SUDDENLY, rowers have become highly design-conscious. All competitors at the Olympic regatta are being scrutinised for the shape of their oar blade. Cleaver or conventional? Six months ago the advent of a new hatchet-shaped blade, developed by an innovative US company, set rowing on its ear.

Believers claim that the larger area of the new blade gives more power per *stroke. Against that is increased* drag and wind resistance. Around the lakeside at Banyoles, the mountain resort 150km from Barcelona, little else is being talked about. Mind games abound.

The German eight, current world champions and favourites for the gold medal, changed back to conventional blades a week ago, causing puzzlement among their opponents – possibly intentionally. Rumour has it that research at a German university has found against the hatchets. Most spectators and competitors agree that they are visually unappealing.

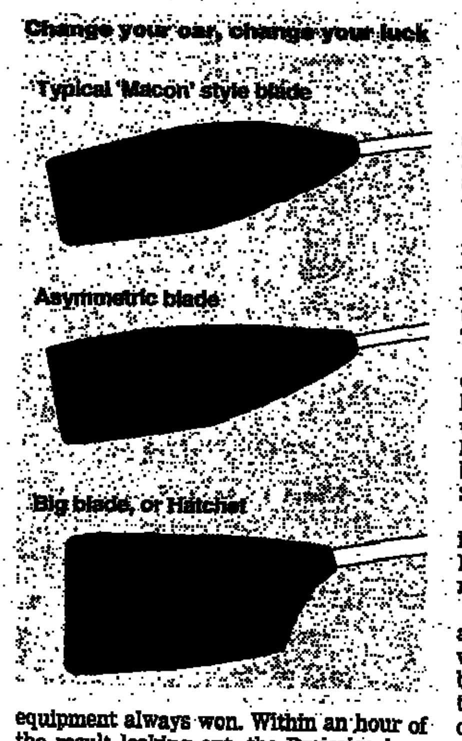
"They may look ugly, but close your eyes and they feel fine," said Steve Redgrave, the British rower who is favourite for a third gold medal in the coxless pairs with partner Mathew Pinsent. In the same event his American opponents have tried the new equipment and discarded it.

"My guys were slower with the big *blades.* There were some gains in the first 500 metres but it was a definite trade-off further down the course. Maybe you get more tired using them," said US coach Bruce Konapka. However, the bulk of the powerful US team will be using the new oars.

The hatchet oar originated with the Dreissigacker brothers, Peter and Dick, in Vermont. Their Concept II company introduced the successful Delta blade eight years ago, the first break from traditional oars in 30 years.

Critics say that Concept II is far more interested in marketing that rowing. Certainly the company knows how to sell.

The first commercially available big-blade oars were tested against conventional sweeps in a blizzard last December by the Harvard A and B crews. Despite changeovers, the rowers with the new equipment always won. Within an hour of the result leaking out, the Dreissigackers had an order from Yale for eight hatchet oars at $350 each.



Since then, any crew has tended to feel at a pyschological disadvantage if it hasn't at least tried and discarded the new fashion. *To try* to protect poorer countries from spiralling costs, FISA, rowing's governing body, considered banning the big blades but decided against it.

One equipment manufacturer based at Banyoles for the Olympic regatta said *that* he had refitted a battered Estonian eight out of human charity – then witnessed the crew turn up with $3,500 worth of new big-blade oars for their first practice.

"There is a huge amount of pure fashion and kidology in this," cautioned Australian team coach Paul Thompson. "If the opposition is using them, any sportsman wants to feel he is on equal terms."

Some of the little scientific research that has been undertaken on big-blade oars has been done at the world-renowned bio-mechanical department of the Australian Institute of Sport in Canberra.

According to Thompson, there is a measurable advantage at sub-maximal strike rates, fading somewhat as the rowers peak at full power. The effect was more marked with physically stronger rowers.

Against that was an easily perceived difficulty of handling the big blades in higher winds. "In the end it's the motor in the machine, not the colour you paint the box, that is going to make the difference," said Thompson.

There is some evidence that the more experienced rowers are more sceptical. Pertti Karpinnen, a Finn single sculler with three gold medals and now attending his fifth Olympics, handed his hatchets back to Zurich equipment manufacturer Stampfli after a short trial.

"He just gave them back and said 'wood is better'," said company boss Melchior Burgin, himself a former world champion rower.

"Aesthetically it's not appealing," agreed *Burgin,* "but people said that when we moved from wooden to composite boats. Scientifically, nothing is proved. If the German eight wins with traditional oars it's going to have a lot of people scratching their *heads. It caused* consternation when they dropped big blades after the Lucerne championships."

Although Burgin is benefiting commercially from what he describes as "everyone rushing to buy new equipment," he is sad to see a conservative sport falling overboard.

Australian oar manufacturer Howard Croaker, sharing Burgin's workshop, pointed out that if the stars do well here *with the new design,* every college kid and high school rower is going to be badgering his dad for new oars.

"A lot of people think that the only ones really benefiting are the manufacturers," said Bruce Konapka.

Croaker, more of a rower than a businessman, agreed with him. "My turnover on oars is already up 400 per cent this year. This has opened a whole new can of sardines."

MANAGEMENT: THE GROWING BUSINESS

Authors keyed up for DIY publishing

Almost anyone can become a publisher of books, magazines, comics or pamphlets – all they need is a desktop publishing system. This computer, which can produce high quality text, graphics and even photographic images, has spawned a host of small presses and publishers.

At the last count there were about 6,000 in the UK, while in the US it has been estimated there will be around 200,000 small presses by the end of the decade.

The small desktop-based presses are attracting discontented authors who have been turned down by the principal publishing houses, and publishers who have either been laid off, or are tired of working for big employers. Bizarre and outrageous books on subjects ranging from corn circle spotting to successful busking in Europe are now being printed and are proving popular with readers who are bored with orthodox literature.

Desktop publishing systems enable many corners in traditional publishing to be cut. Anyone who can use a "mouse" can produce a limitless range of images on the computer screen to create an eye-catching picture for a cover.

With a little capital and the expert advice of the Small Press Group it is possible to set up a desktop-based small press.

A DTP-based press can earn a surprisingly high amount. Five thousand copies of a popular book priced at £10 each will give a return of £50,000. Each book can be produced for as little as £1. Some presses claim they can do it for less.

Most small presses offer their authors 7 to 10 per cent of any royalties, although some offer a much lower percentage. A greater problem arises in getting the books widely distributed and reviewed – economies of scale work in favour of the larger houses. This makes it advisable to stick to specialised subjects.

For further information contact: The Small Press Group, BM Bozo, London WC1N 3XX. (Tel: 0234-211606).

Thomas Slemen

Diane Summers explains why women entrepreneurs have to try much harder to succeed

Bank managers' eyes glaze over

The best that Emma Bridgewater hopes for when she goes to see a bank manager is that he – and so far in her career it always has been a he – has a wife who reads glossy magazines.

Bridgewater's business is designing, making and selling classy hand-decorated pottery that is much-featured in the pages of stylish publications.

Her problem is that the product has a predominantly feminine appeal; she has found bank managers, meanwhile, are invariably male.

The perception of women starting up their own businesses is that they face more problems than men. Top of the list of complaints is that they are not taken seriously enough by colleagues or business contacts, according to a Barclays report published earlier this year*.

Part of this problem may be that women tend to set up very different sorts of businesses than their male counterparts. While almost a third of start-ups are by women, they are concentrated in the service sector, commonly in retailing. Unsurprisingly, women's businesses may often be based on an extension of their traditional roles and existing experience. And, as in Bridgewater's case, the product or service itself may appeal more to women than to men.

When faced with a proposition with which they have difficulty in identifying, bank managers display an astonishing lack of curiosity, according to Bridgewater. "I've found them extremely unwilling to try and discover anything about the business. Even to step across the road to see what we make seems too much effort. They have only been interested in profit and security. This seems to me desperately stupid and short-sighted," she says.

From the banks' point of view, Bridgewater's experience would suggest missed opportunities. As Baroness Denton, small firms minister, points out, somewhere out there "the bank manager who first turned down Anita Roddick must lie awake at night".

Clearly, a solution would be more female bank managers, although Bridgewater is not attracted to the US notion of banks specifically for women. One piece of progress would be to abolish the "big mahogany desk carry-on designed to intimidate", as she calls the interview with the bank manager. Banks need to evolve a different way of assessing business projects brought to them by women, perhaps by using mixed-sex panels, she argues.

"Instead of a nasty grilling session that's more like a viva, I'd prefer to have a *discussion*, preferably with a group of people. The confrontational approach is very alien to a lot of women," says Bridgewater.

Fortunately she had already made a start in her business before her own viva came up. With no formal training and barely covering her costs, she started to buy pottery, decorating, glazing and firing it herself. She claims her bank woke up to the fact she was in business "when my cheques stopped being made out to Fiorucci and Threshers and started to be to suppliers in Stoke".

Problems experienced by women setting up in business

Not being taken seriously by colleagues/business contacts	45%
The additional burden of family responsibilities	40%
Sex discrimination by suppliers/customers	26%
Pressure to stay at home and support their partner	16%
Sex discrimination by institutions/government	14%
High cost of crèche/nannies/nursery facilities	9%

Source: Barclays

Now aged 31, Bridgewater is the eponymous chair*man* (she will have no truck with what she considers feminist-speak) of a company with a turnover of £1.25m. Between a shop in London's Fulham Road and a factory in Stoke-on-Trent the business employs about 35 people and has made the transition from a "girlie-craftie profile to market leader in 'casual dining', as china buyers call it. And I feel I've barely started yet," she says.

Top of the list of problems faced by women in small businesses may be not being taken seriously; close behind, however, are the double pressures that particularly affect women of combining a business start-up and sustaining family life and domestic responsibilities.

Bridgewater's workroom behind the shop is a pleasant confusion of children, sofas and dogs. Husband Matthew Rice, painter and a joint managing director of the company, will some days cook them all lunch there; other days she will go the few yards back to their house. There have been times when she has been able to get away with putting very few hours into work; at present she is on a run of 10-hour days.

In case it all sounds too much like some neo arts and crafts movement idyll, Bridgewater describes the diverse pulls on her time and attention as "horrendous".

Running a business "suits single people", she says. "I spent my twenties creating a vehicle for my strengths; I've spent the four-and-a-half years since we married trying to work out how to accommodate the business alongside marriage and children. Those 'you can have it all' types, who make it look so easy, are doing girls a disservice."


Picture: Ashley Ashwood

Emma Bridgewater: sustaining family life is one of the pressures

** Starting Up – A Barclays Report on Britain's Small Business Men and Women. Market Research Enterprises. Free from Paragon Communications. Tel 071-734 6030.*

Problems pile up for ageing owners

David Waller investigates the difficulties facing Mittelstand companies

The German Mittelstand – the 10,000 small- to medium-size businesses which account for half of Germany's GNP – is in difficulties. Sales are likely to shrink this year, the workforce is going to have to be reduced, wages are too high, environmental regulations are too tough and, most serious of all, they face succession problems as their owner-managers approach retirement age.

These, at least, are the conclusions of a recent poll of 206 Mittelstand companies conducted by the German arm of 3i, the UK investment capital group.

Of these industrial companies, 44 per cent are predicting a fall in sales during the present business year, compared to more than 70 per cent which increased sales in 1991-92. More than half are planning to reduce the number of employees, 44 per cent are going to cut back their capital investment and a third expect a decline in profit.

Nearly half the managers polled were more than 50 years old and 13 per cent were older than 60. In addition more than half had been running the business for more than 10 years. The chief long-term worry of more than 90 per cent of the total poll is management succession.

More than half of those polled do not have a stake in the business, indicating that the owners have already moved on from day-to-day management.

The survey does not attempt to look at some of the more fundamental reasons for the Mittelstand's troubles, which reflect, inter alia, increased competition in certain sectors because of the single European market programme (for example, in the transport sector) and the difficulties being experienced by motor components manufacturers, many of which are coming under intense pressure as car manufacturers strive to reduce their costs.

But from the venture capital industry's point of view, the results of the survey are encouraging. The survey identifies a pool of experienced managers who put a greater value on independence than on job security and money.

Surprisingly, given the conservatism of Germany in financial matters, many of these managers are prepared to consider participating in a management buy-out of the company at which they work – or even in a buy-in, buying another company with the help of a financial institution such as 3i.

On the other side of the equation, owner-managers are increasingly prepared to consider selling to management.

As Thomas Schlytter-Henrichsen, joint head of 3i's Frankfurt office, puts it: "The managers have achieved everything they want to achieve as managers and want to become owners. The owners are prepared to sell to them." There is, though, a "communications deficit", because the managers do not realise that the owners may be prepared to sell. Hence a role for 3i in putting the two parties together and financing the transaction.

It is not just 3i which is eager to participate in this potentially enormous market: the German banks have their own venture capital subsidiaries and increasing numbers of overseas venture capital houses are setting up in Germany.

The trouble is that – in spite of the satisfactory results of the poll – it is a very slow process persuading the owner of a Mittelstand company to sell to anyone, let alone his management. 3i has been in Frankfurt since the middle of 1986 and has done only 23 deals in that time – fewer than five a year.

In the meantime, the survey has picked out a new breed of German manager: the relative youngster whose background is in finance rather than in production and engineering.

Those rich inheritors who decided to work rather than going shopping are showing signs of not wanting to get their hands dirty.

Copies of the report, Der Mittelstand und die Nachfolgeproblematik, can be obtained from 3i Gesellschaft für Industriebeteiligungen, Bockenheimer Landstrasse 55, 6000 Frankfurt 1, Germany. Tel Frankfurt (069) 710000-0.

BUSINESSES FOR SALE

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For further details contact either Nigel Atkinson or Malcolm Weir at the address below.

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For further information please contact John Wilson, the Joint Administrative Receiver, or Ian Stanton at the address below.

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- leasehold premises of warehouses and factory at Prestwich, Manchester.

For further information, please contact the Joint Administrative Receiver, Mark Palios (quoting ref. RW) of Cork Gully, Abacus Court, 6 Minshull Street, Manchester M1 3ED. Telephone: 061 236 9200. Fax: 061 228 3920.

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Cork Gully

INVITATION

For the submission of Declarations of Interest for the separate Purchase of the production units and other assets of "HELLENIC CHEMICAL *PRODUCTS & FERTILIZERS COMPANY S.A." of Athens, Greece*

This is a second invitation to all interested parties for the submission of non-binding written Declarations of Interest for the purchase of one or more of the production units and other assets of "HELLENIC CHEMICAL PRODUCTS & FERTILIZERS COMPANY S.A.", of Athens, Greece, presently being under liquidation.

Production units and other assets offered for sale (by way of public bids) include the following (all being located in Greece):

1. MANUFACTURING – DRAPETSONA INDUSTRIAL COMPLEX (for fertilizers, acids, agricultural chemicals and sheet glass).
2. MINES
3. QUARRIES
4. REAL ESTATE
5. PORTFOLIO OF STOCKS IN GREEK COMPANY

Declarations of Interest should be submitted not later than 14 August 1992 (i.e. within 20 days from the first publication of this notice in the Financial Times, which took place on the 25th July 1992) to the Liquidator of the Company: "ETHNIKI KEFALEOU S.A. Administration of Assets and Liabilities", of 1, Skouleniou Str., 105 61 Athens, Greece. Tel no.: +30-1-323.14.84, fax: +30-1-321.79.05, telex: 216867 KEF GR.

Also, as regards, in particular, the purchase of the MINES (in Chalkidiki), declarations of interest may be submitted to and further information may be obtained from the Liquidator's special advisor CITIBANK NA, Athens Branch, 8 Othonos St., Athens 105 57, tel. +30-1-324.86.56, fax+30-1-324.32.77 (Attn.: Mr. Vassilis Tsilibaris, Vice President).

For further information please refer to the first publication of this notice in the Financial Times, as mentioned hereinabove and/or to the Liquidator of the Company (attn. Mr Peter P. Dracopoulos) from 10.00 to 12.00

The Liquidator
ETHNIKI KEFALEOU S.A.
Administration of Assets and Liabilities

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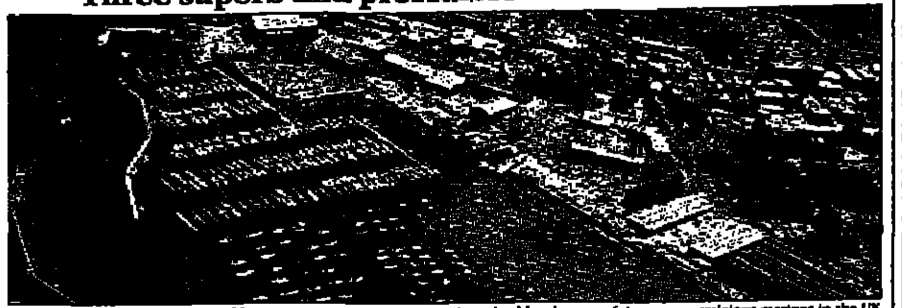

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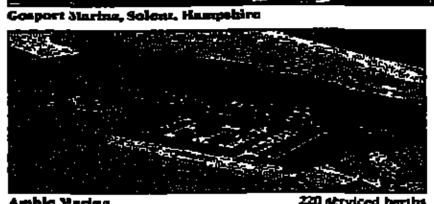

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Further information may be obtained from The Joint Administrative Receiver Malcolm Cohen FCA, or Jan Leigh at Stoy Hayward, 8 Baker Street, London W1M 1DA. Tel: 071-486 5888. Fax: 071-935 3944.

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THE WEEK IN LUXEMBOURG

Court ruling vindicates role of the European Parliament

EUROPEAN LAW

In a case of fundamental importance for the institutional balance of power in the European Community, the European Court of Justice has overturned a 1989 regulation of the European Council of Ministers on road transport cabotage.

The European Court annulled the regulation because the Council had infringed essential procedural requirements laid down by the Rome Treaty's transport rules. The Court ruled that the Council had failed to consult the European Parliament a second time, as required by the legislative procedure, when the initial proposal was substantially modified by the European Commission.

The modified proposal adopted by the Council provides for even less liberalisation of road haulage operations within member countries than the text criticised by the Parliament when it was originally consulted.

However, the Court said that the 1989 regulation, which expires at the end of 1992, should remain in force until a new regulation is adopted after proper consultation.

This is a landmark decision in the growth of business influence over EC legislation through the European Parliament.

First, the decision is a test case giving guidance as to when the Parliament may insist on second consultation.

Second, the Parliament, as in the present case, may insist that the Council consults it again when the proposal initially considered has been substantially modified.

Third, any further consultation will enable the Parliament to insist on its opinion influencing the legislative process, as it retains its existing powers to postpone giving an opinion.

However, a potential limitation of the judgment's impact on future legislation lies in the Court's application of its powers to declare that a void regulation remains in force.

Case C-65, European Parliament v Council, ECJ FC, July 16.

Use of evidence in competition proceedings restricted

In a reassuring judgment for business and professional advisers, the European Court held that national competition authorities may not use as evidence in their own investigations information given to the EC Commission in the course of EC competition procedures.

The Court said the use of such evidence would infringe EC rules guaranteeing confidentiality of business secrets, the restricted use of information obtained for specific investigative purposes and the rights of defence.

The case concerned the investigation by Spanish competition authorities of certain business practices of Spanish banks. The banks had also notified their arrangements to the EC Commission for clearance or exemption under the EC competition rules. Notification provides immunity from fines for any prior infringements.

The banks had also provided information to the Commission in response to formal requests. Member countries are given copies by the Commission of all important documents provided in the course of notification, information requests or inspection visits to the business premises concerned.

The Court's decision, which is also likely to be relevant in the context of mergers, may complicate competition law enforcement by member countries. However, it does not prevent the national authorities commencing their own investigation, as a result of the knowledge gained from evidence given to the Commission, and obtaining their own evidence of possible infringements.

A similar approach has been taken by the Court to the Commission's use of information obtained in one proceeding as evidence in another proceeding involving the same parties.

Case C-67/91, Direction General de Defensa de la Competenza v Asociacion Espanola de Banca Privada (AEB) and others, ECJ FC, July 16 1992.

European Court lays down the law to national judges

In two cases decided on the same day, the judges of the European Court rejected EC law questions referred for their interpretation by national courts.

The first, from Germany, concerned eight questions on the second company law directive on the structure and capital of companies. The Court declared the questions outside its competence since they were hypothetical with no real connection to any dispute.

Neither party to the national proceedings disputed that the relevant German company law provisions were in conflict with the second directive. The only issue was whether the plaintiff's argument that those German provisions applied was correct.

Case C-83/91, Wienand Meilicke v ADV/ORGA F A Meyer AC, ECJ FC, 16 July 1992.

The second case, from Portugal, concerned eight questions intended to clarify whether Portuguese taxes imposed on imported and locally-made cars amounted to discriminatory internal taxation prohibited by the Rome Treaty.

The fifth chamber of the Court declared all but two questions outside its competence for lack of any relationship between the questions and the national proceedings.

However, the Court did rule that when one national provision is caught by the Rome Treaty's prohibition of discriminatory tax, other provisions in the same law are not necessarily prohibited, if they are unrelated.

Case C-343/90, Dias v Director da Alfandega do Porto, ECJ 5CH, July 16 1992.

BRICK COURT CHAMBERS, BRUSSELS

PEOPLE

Saxon Riley fills the gap left by Rowland

Sedgwick Group, one of the world's largest insurance brokers, has moved quickly to fill the void created by David Rowland's decision to take on the chairmanship of Lloyd's. Saxon Riley, 53, the group managing director, has taken over as chief executive; a new chairman will be appointed by the end of the year.

The elevation of Lancastrian Sax Riley is not a surprise. Since joining the firm in 1964 from Scholfields, a Manchester insurance broker, he has moved steadily up the organisation. The first signal that he was the heir apparent came in January when he was promoted to his current job and given responsibility for the group's insurance, reinsurance broking and risk services.

However, Rowland's departure is still a blow for Sedgwick. He was brought in as chief executive in 1988 from rival Willis Faber, following mounting concern about Sedgwick's poor results. It was the first time that the company had gone outside for a new chief and Rowland, 59, is credited with knocking into shape a broker which had grown rapidly through acquisition.

A year after he arrived, Rowland also added the role of chairman; he replaced Carel Mosselmans who had headed the group for five years. Until yesterday's news it had been expected that Rowland would stay till 1995. Sedgwick has chosen to use the occasion of his departure to split the role of chairman and chief executive. A number of well known city figures on the board who might fill the spot include Sir Michael Richardson, chairman of Smith New Court, and Rupert Hambro, chairman of J O Hambro Magan.

Meanwhile, Sedgwick also announced yesterday that Rob White-Cooper, 49, had been appointed a vice-chairman. He is chairman of the operations group responsible for co-ordinating the worldwide activities of Sedgwick James and is responsible for the European, overseas and Asia Pacific regions of that company.

■ **Kenneth Walker**, formerly president and ceo of Cardis Corporation, has been appointed president and ceo of GKN Parts Industries Corporation, based in Memphis, Tennessee.

■ **Nigel Young** has been appointed chief executive of HALMA's safety interlock division, and chairman of Smith Flow Control and SERV Trayvou Interverrouillage, the two companies in the division of which he is not already chairman.

Jonathan Neame becomes the fifth generation of the family to join Shepherd Neame, the oldest independent UK brewer. He has been appointed company secretary in succession to Bernard Cork who retires in November after 22 years with the Kent brewer.

Neame, 28, son of Robert Neame, chairman, has worked for the COBA Group, an international consultancy, was educated at Pembroke College, Cambridge, and the City University, and was called to the Bar in 1987.

Non-executive directors

■ **Sir David Hancock** (above left), former permanent secretary at the department of education and science and now an executive director of Hambros Bank, at EQUITY & LAW.

■ **Nigel Colne** (above right), a director of Marks and Spencer and a non-executive member of the social security management board of the department of social security, at HALIFAX BUILDING SOCIETY; he transfers from the society's London advisory board.

■ **Edward Roberts**, chairman of Heath Springs, European president of Peterson America Corp and chairman of the West Midlands Region of the CBI, as chairman at BONHAM MARKETING AND COMMUNICATIONS GROUP.

■ **Stuart Graham** has retired from ALLIED-LYONS.

■ **Howard Poulson**, group chief executive of Volex, at VINTEN GROUP. Bill Vinten is to retire.

■ **David Webster**, deputy chairman of Argyll, at REED INTERNATIONAL; **Sir Colin Barker** is retiring.

■ **Roger Peek**, treasurer of British Steel, at IRON TRADES EMPLOYERS INSURANCE ASSOCIATION and IRON TRADES INSURANCE Co Ltd.

SIB terms of office extended

Ralph Quartano, a director of Clerical Medical & General Life Assurance Society, and **Lord Runciman**, chairman of Andrew Weir and Co and of Runciman Investments, have been re-appointed deputy chairmen of the SECURITIES AND INVESTMENTS BOARD, for a period of one and two years, respectively.

Other members of the board have also been re-appointed from July 31: **John Gardiner**, for three years, **Norman Lessels** for two years, and **Brian Williamson** for one year.

Meanwhile, **Dame Rachel Waterhouse** and **Denis Child** will retire on completion of their terms of office on July 31 1992.

Goldring ventures into consultancy

It's rare to find an optimistic fund manager these days but 42-year-old Howard Goldring seems to fit the bill. He has chucked in his job as director of global strategy at Allied Dunbar Asset Management and set up his own consultancy, Alberon Associates.

"I felt the recovery was coming and wanted to be in place when it came," says Goldring, who has been a fund manager for 12 years. He will continue to work as a consultant for Allied Dunbar and write a monthly newsletter on global investment strategy. But he is keen to get more heavily involved in business – he was a non-executive director of Ernest Jones before it was taken over by Ratners – and work on some venture capital projects.

He has been appointed a non-executive director of Michael Heller's London & Associated Investment Trust. Despite its name, London & Associated is not an investment trust but a property company specialising in investing in shopping centres and parades.

It is one of three public companies, chaired by the 56-year-old Heller who made his first fortune when he sold the family's KP Foods business to United Biscuits. His other vehicles are Bisichi Mining, a speculative mining stock, and Electronic Data Processing, a highly-rated computer software company.

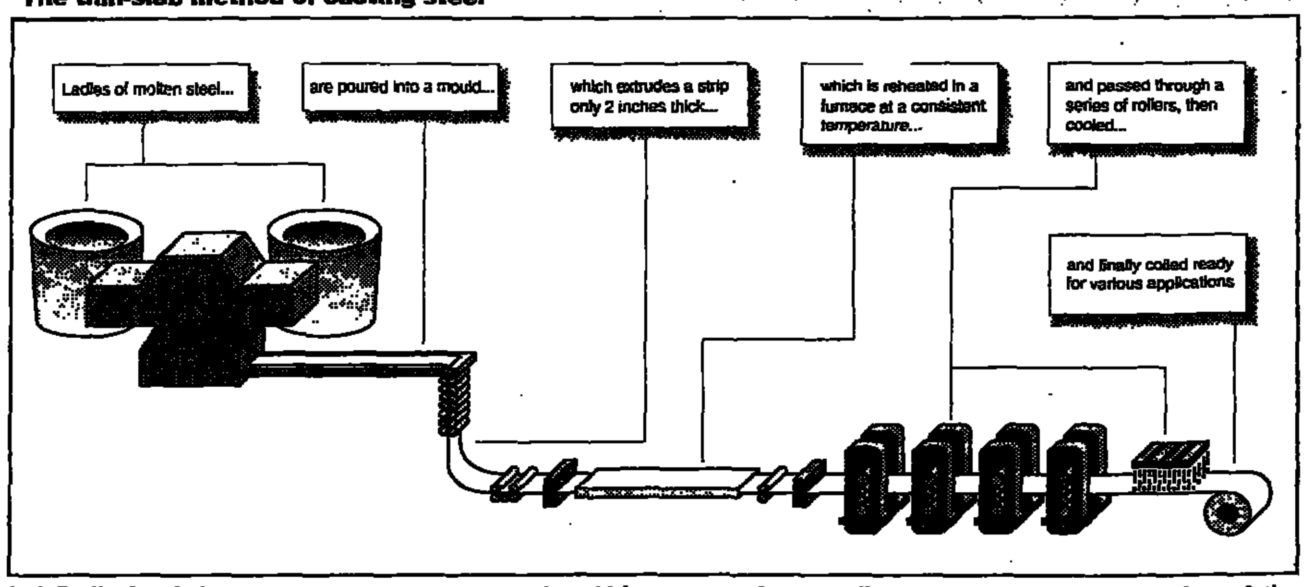
Goldring, who says that he has known Heller for some years, owns 300,000 shares in London & Associated, which gives him the biggest shareholding of any director save the chairman. The Heller family owns 40.4m shares, or 58.5 per cent of the equity.

Allied Dunbar, which manages £9bn of funds, says that Malcolm Baker, who looks after European investments, will assume Goldring's responsibilities.

Ideas from Indiana recast face of steel

A low-cost, energy-efficient way of making sheet steel is taking the industry by surprise, writes **Martin Dickson**

The thin-slab method of casting steel



The flat farmland of Indiana, in the heart of the American mid-west, may seem an unlikely starting point for a fundamental technological innovation in the way steel is made.

Yet it is in precisely these bucolic surroundings that Nucor, the largest of the American "mini-mill" steel manufacturers, has been pioneering a new process for making sheet steel which promises to shake up the world industry during the coming decade.

So fascinated is the industry by Nucor's success that fact-finding missions from dozens of countries have visited the company's plant at Crawfordsville, some 50 miles west of Indianapolis, in the past two years. This summer the numbers have grown so great that the plant has starting restricting tours, lest they interfere with production.

Flat rolled or sheet steel is one of the industry's most important and valuable products, with applications as varied as making pipes for the oil industry, water tanks, washing machines and the interior and exterior body work of cars.

Traditionally, it has been made by manufacturing methods which require immense capital investment. That is why the sheet market was in the past the exclusive preserve of Big Steel – America's large, integrated steel manufacturers – rather than the smaller "mini-mills" which have sprung up over three decades to exploit market niches.

In a traditional plant, sheet is made by pouring liquid steel into a mould, shaping it into red hot slabs between 8 and 12 inches thick and 30 to 40 feet long. Those slabs are then allowed to cool and are transported to another shop where they are heated up again to about 2,350 degrees F.

They are then flattened into thin bands by passing them through a series of rollers. The end product is known as hot-rolled sheet, and it has to be rolled again (this time cold) before it is ready for many applications.

Industry technicians had long dreamed of finding a more efficient way of producing sheet steel. In the mid-1980s, a West German company, SMS Schloemann-Siemag, thought it had finally found the answer. Nucor decided to take a huge gamble and become the first steel company in the world to use the SMS technology.

Critics in Big Steel immediately decried the project, saying that Nucor would never build its proposed greenfield plant at Crawfordsville within the company's modest $270m budget and that the output of the plant would not pose any competitive threat. They were wrong on both counts

The SMS Schloemann-Siemag process involves making sheet steel in a single production run. The steel emerges from the caster only two inches thick and some 150 long, thanks to the innovation at the heart of the SMS technique – a new design of funnel mould which is shaped like a convex lens.

The resulting thin slab is then passed on rollers through a furnace which makes the temperature across its width consistent. It then goes straight through rolling mills, finally emerging as finished coils of hot-rolled sheet.

That, at any rate, was the theory. Until Nucor built its plant, no one knew how the technique would operate in practice and whether it would deliver acceptable steel.

The big advantages over traditional technology are threefold: it takes far less time to make finished steel; it requires far less energy; and it needs far less capital spending on rolling equipment

The plant suffered some serious initial problems when it started up in late 1989, but that is hardly surprising, given the novel nature of the technology. "There were bound to be some weaknesses in the thinking, and fortunately they were all very easily correctible," says Keith Busse, who heads the Crawfordsville plant.

Whereas the SMS process is mechanically simpler than traditional technology, it also has much tighter process control parameters. For example, it requires the hot steel to be kept within a 20 degree temperature window, compared with 70 degrees traditionally. "Learning how to live within these super-sensitive parameters took time."

It also brought quality problems, two of which were particularly serious in the early days. One was longitudinal cracks on the surface of the slab, due to non-uniform cooling of the steel, which was caused by a combination of seven or eight factors.

One factor was unevenness in the thin layer of film formed on top of a slab by powder used as a lubricating agent inside the casting mould. The plant is still experimenting with powders.

The second problem was blemishes, caused partly by premature use of the lubricating powder.

Busse says both problems have now been largely solved, with each now affecting about 1 per cent of output. A somewhat larger issue remains that of a "tight, thin gummy scale" that forms on 2-4 per cent of production.

The plant will be experimenting this autumn with a new kind of descaling process. "We believe it will give us a surface cleanliness vastly superior to that of the industry," says Busse.

When production started, some 35 to 40 per cent of Nucor's output was flawed. Busse says that today the hot-rolled mill has a rejection rate of 4-6 per cent. That is approaching, but still above, the industry norm.

He points out that Nucor steel does not suffer from the internal and transverse cracks found in traditional steel plants, and adds: "I think we're going to find that this technology ultimately yields a superior product (compared with traditional methods) in terms of ductility and mechanical performance."

For the moment, Nucor's steel is not sufficiently good to go into the most demanding applications, such as the exterior of motor cars. Busse says that the company is not aiming at this market yet in any case. The Crawfordsville plant is only now constructing a galvanising line.

"I'm not telling you we're ready to be the fender on a Cadillac," he says, "but we're not that far off."

Whatever quibbles remain about the quality of the product; Crawfordsville has been very successful in meeting its output targets.

The plant was built with a theoretical design capacity of 800,000 tons a year. In 1990, it produced slightly less than 600,000 tons. Last year, the figure was 803,000 tons, and this year, if the mill continues at its current rate, Crawfordsville will ship nearly 1m tons.

A principal reason is that the designers assumed that the entry nozzle, which carries steel into the SMS casting mould, would take such a beating that it would have to be replaced after casting four ladles of steel. In practice, one nozzle lasts routinely for 10 to 12 "heats" of steel.

Nucor reckons that the SMS process gives it a $50 to $70 a ton production cost advantage over Big Steel; a huge gap when sheet steel is selling at about $300 a ton. Busse reckons the cost advantage will increase. "The gap is going to get substantially wider."

So pleased is the company with the SMS process that it is about to start production from a second plant (at Hickman, Arkansas) and is thinking about two further mills, one on the American west coast and one on the east coast. It is also likely to put a second casting machine into the Crawfordsville plant, which would add 700,000 tons to capacity at a cost of only $35m.

Others in the steel industry are starting to follow its lead. SMS says it has three other orders for the technology – one from Taiwan, one from the US, and one from Italy – while many other big steel companies, including the American integrateds, have shown curiosity in thin-slab casting.

Nucor knows its rivals will eventually catch up. For now, however, Busse says : "Our competitors are well behind us, and financially impaired. We may have a unique, vacuum type opportunity – and we want to take maximum advantage of it."

Technically Speaking

Lack of vision leaves venture research at risk

By Clive Cookson

One of the past decade's most imaginative corporate research programmes is in danger of dying for lack of interest from industry.

Venture Research, as it is called, was set up and funded through the 1980s by BP, the UK oil company. It tries to seek out the world's most creative university scientists – and to support pioneering proposals that fall outside the scope of the normal sources of research grants.

On a budget of less than $5m a year, the programme has supported 26 Venture Research fellows working in physics, chemistry, biology and engineering. Their achievements include important new ways of carrying out chemical reactions, streamlining mathematical arguments, and understanding the way genetic material is arranged in cells.

In 1990, BP decided that it could no longer afford to support Venture Research, though it is maintaining current grants until the last ones run out next year. The company, however, helped Don Braben, the programme's founder, to set up Venture Research International.

That was meant to be a consortium of half a dozen corporate sponsors, each covering a different industrial sector: for example, electronics, food and agriculture, chemicals, pharmaceuticals and engineering. Together they would provide a "ring of covered waggons" around Venture Research, to pick up anything produced by the scientists that was worthy of commercial exploitation.

Unfortunately, Braben has not yet persuaded enough companies of the merits of venture research to get the consortium going. So far only Sony, the Japanese electronics company, has made a clear commitment of support, but it insists that at least two western companies must agree to join. The recession has been a handicap, but Braben has also been hindered by BP's short-sighted refusal to make any further commitment to the enterprise.

Time is now beginning to run out. If the programme is not re-established soon, and moreover on a long-term basis, it will lose its sense of identity and the community of venture researchers, which has so far shown strong loyalty, will begin to fall apart.

There is still hope. Earlier this month, Courtaulds, the UK industrial materials manufacturer, invited a group of venture researchers to a conference at its Kenilworth training centre with a dozen of the company's senior R&D staff.

The experience demonstrated firstly that the academic scientists are keen to explain their work and build up contacts with industry – and secondly that their fresh approach can make a worthwhile contribution. The Courtaulds staff said afterwards they had found the meeting highly stimulating and had picked up several good practical ideas.

Braben is now lowering his sights in order to keep Venture Research alive. Originally, he had been asking companies to subscribe $1m a year to join. Now he is prepared to accept much smaller contributions – as little as £100,000 – to attract medium-sized European companies, such as Courtaulds, as well as global giants like Sony and BP.

The track record of Venture Research so far suggests that companies buying in would get a good direct return on their money, though the nature of the enterprise makes the outcome completely unpredictable. The spin-offs are already worth much more than BP's total investment; they include a widely used enzyme-based diagnostic test and a new system for making left-handed and right-handed forms of molecules that can exist as mirror images. There are also the intangible benefits which industrial researchers derive from contact with academics who are exploring beyond the boundaries of conventional scientific thought.

Venture Research is cheap by the standards of contemporary science, because projects are in new fields in which competitive work has not yet pushed up costs. They tend to rely on the imagination of the scientists more than on expensive equipment.

On the whole, UK companies contribute rather little to university science compared with competitors based in other countries. Venture Research would provide an excellent means for a few of them to do more. How about it, British Aerospace, GEC, ICI, Unilever, Glaxo?

ARTS

Drawing in Bologna 1500-1600

Lessons drawn from history

Susan Moore

ONE OF the most extraordinary features of the Renaissance in Italy is the emergence of distinctive regional styles of painting and drawing. Among these local schools the Bolognese only achieved the highest distinction with the rise of the great triumvirate of the Carracci – Annibale, his brother Ludovico, and their cousin, Agostino. This loan exhibition, "Drawing in Bologna 1500–1600" at the Courtauld Institute Galleries in London, the fourth in a series of drawings shows organised by Sotheby's, ends where most would begin.

Its finale concerns the early years of the Carracci in Bologna, before Annibale's move to Rome and the classical triumph of the Farnese Gallery. The main event allows a number of little-known artists to take the spotlight. However, its fascination comes not so much from what it can teach us about a neglected period of art or about the forerunners of one of the greatest of painters, but because it reveals quite how unexpected and exciting drawings can be.

Again and again it demonstrates how indifferent painters can turn out to be distinguished, even influential, draughtsmen. Moreover, it highlights how the medium of drawing allows a far greater freedom and spontaneity than is ever available to a painter. A case in point is the substantial sheet – on the evidence of this exhibition at least, there was no shortage of paper in 16th century Bologna – by Girolamo da Carpi.

Although as a rule hardly the most inspired of artists, he shows the flight of Daedalus and Icarus against a romantic landscape with a memorably evoked expanse of water. He has washed the paper a pale sepia, to create a mid-tone, and then added darker brown as well as white heightening to broaden the tonal range, giving depth to the foliage, the landscape and to the portentous clouds above the doomed Icarus. Pen is employed sparingly for the figures, but it is these fluid ink washes that create an effect of real poetry.

The visual qualities and technical range of these sheets more than outweigh the undeniably recondite function of this show. Groups of drawings by, say, Francesco Primaticcio and Bartolomeo Cesi reveal their mastery of red chalk. The former favours a pinkish prepared ground for his graceful draped male figure, the latter chooses blue paper of the kind first found in Venice for his delightful study of a boy playing a viola da gamba. Neither is especially prolific or celebrated as a painter, but they are both wholly in their element on paper.

The exhibition also highlights the unpredictibility of the relationship between an artist's way of drawing and way of painting. While there are many artists – and the Flemish-born Denys Calvaert is the prime example here – whose artistic personality remains the same whatever the medium, there are others who seem to undergo a sea change.

There is considerable disagreement concerning the authorship of the paintings variously given to Pellegrino Tibaldi and Nosadella, for example, yet their drawing styles are quite distinct. Bartolomeo Passerotti is another of these split personalities. Most of his paintings are not that dissimilar from other late-Mannerist productions by the likes of Samacchini and Sabatini – not the comic double act their names imply – but his drawings are radically different.

Executed in a boldly hatched pen and ink technique, they are inspired by the work of the Florentine Baccio Bandinelli, but go much further in their freedom of touch. Three are particularly fine. One from Christ Church, Oxford, is a preparatory study for a painting of the Adoration of the Magi, in which the normal sequence of execution has been inverted. Renaissance art treatises from Alberti onwards invariably recommend that figures be studied in the nude and only then draped; it is evident here that the nude studies came second.

There is every reason to believe that the study of the human figure from life, which was one of the great revolutions of the Carracci academy, was needed. Yet the way in which they – and Agostino in particular – used the pen is inconceivable without the example of Passerotti.

His other great appeal is an eccentric fascination with low life, which anticipated the genre studies of the Carracci. Hideous kissing couples, slavering in a manner worthy of late Picasso, exotic animals and peoples, are among the quirkiest of the period. By the mid century Bologna had become a centre of scientific study, and Passerotti's scrutiny of the more grotesque aspects of the natural world was prompted by the explorations of his friend, Ulisse Aldrovandi, the noted naturalist. Here a splendidly repellent pair of demons, one all but concealing the other, and an enchantingly flamboyant heraldic dragon, represent this side of his art.

Detail from Pair of Demons, by Bartolomeo Passerotti

With the latest drawings – at least in this inevitably selective showing – the honours are fairly evenly divided. The Carracci are rivalled if not surpassed by the extravagant black chalk male nudes and boldly washed sheets by Pietro Faccini. He is a Second Eleven painter but an unforgetable draughtsman. You only have to look ahead to Guercino – who makes the first team but arguably also excels on paper – to witness the effect a minor master like Faccini can have.

The exhibition continnes at the Courtauld Institute Galleries, Somerset House, until August 31.

Ballet

The Kirov in New York

Alastair Macaulay

NEW YORK may well be the world's worst place for watching the Kirov Ballet. It only stays at the Met for three or (this year) two weeks, uses a local orchestra, and arrives at the end of a big North American tour. London, by contrast, had six weeks of the Kirov in 1990; and Paris, whose Palais des Congrès has presented the company for several eight-week seasons and with a Kirov orchestra, is luckier yet. In Paris the company is also not obliged to squeeze ballets into a three-hour time limit. This year, however, New York is not the Kirov's only problem.

For 30 years, the Petersburg company has thrived on exalted mystique. It used to tour far less than the Muscovite Bolshoi, and therefore had rarity appeal. Though no one has ever been able to claim seriously that the Kirov was a shrine of spontaneity, ingratiating manners, keen musicality or sheer generosity of spirit, its advocates have remained hooked on its pure classical style. But, during the ten years I have been watching it, the Kirov has been touring more and more extensively and has shown unmistakeable signs of decadence. And evidence suggests that some of the decadence began long ago.

How pure is any classical dance style that is not attentive to musical detail? Numerous Petersburg dancers – notably (by all accounts) Olga Spessivtseva in the 1920s and 1930s and (in vivid memory) Natalia Makarova in the 1970s – have appalled Western audiences with their indifference to a musical phrase or beat. Watching current Kirov dancers in recent years, we have been able to see that they have been encouraged to grow ever less responsive to the score (and also to dictate ever slower tempi). Is this part of the great tradition? Well, as Mahler told the Viennese: "What you people call tradition is mere slovenliness."

'The Kirov has been touring more extensively and has shown unmistakeable signs of decadence'

And how truly classical is a style that leads its dancers away from true vertical stance? In the last ten years, more and more Kirov dancers have shown a deep, gymnast-like curve in the lower spine. The pelvis, instead of being held vertical and fluently conjoined with the waist, is pulled back at an angle, exaggerating the divide between "upper" and "lower" halves of the body. Londoners should remember this at its most ludicrous with the narcissistic Farouk Ruzimatov; but it is present too with most Kirov women of a certain experience – notably the otherwise bulldog-like prima Olga Chenchikova.

Oleg Vinogradov, the Kirov's artistic director, has given the company a new production of *Swan Lake*. Perversely, it has scrapped most of the features that distinguished the old production great (eg the Tutor in Act One), and has kept every feature – especially the post-Imperial accretions – that blighted it (eg the Jester). His new version of the final act, to a bizarre mish-mash of music, has opposed corps of black and white swans. One dance began with the whites hitting the upbeat and the blacks hitting the downbeat – as if "you say potato, I say potahto" had reached *Swan Lake*.

Vinogradov has also staged his own recension of the original Kirov staging of the Lavrovsky *Romeo and Juliet* – the version that, with the Bolshoi and Galina Ulanova, conquered the West in the 1950s. It still shows the dramatic point of some details of Prokoviev's score but this *Romeo*, even more than others, needs thoroughly verismo acting and surging vitality of performance. The 1950s Bolshoi (as film shows) had that; the 1992 Kirov does not. The best feature was the ravishing original designs, recreating in scene after scene the beauty of the Italian Renaissance.

The company's best full-length show was *La Bayadère*, even though it often did not feel much like a ballet. The production's big thrill is its old turn-of-the-century painted scenery, handsomely restored. Then there is the absorbing oddity of Kirov mime – rigorously eliminated from the company's *Swan Lake* these several decades – here deplayed with massive silent-movie weight. But there is also the depressing spectacle of Kirov dancing at its worst – stuffy, effortful and posey. The legendary corps de ballet, in one of its off periods, exemplified this.

For just one performance only the company presented a triple bill of Western choreography – a sequel to the now-famous pair of Balanchine ballets the company presented on its Western tours of 1989 and 1990. These three amounted to much less. Antony Tudor's *The Leaves are Fading* challenged the dancers to show a brand of lyrical, light spontaneity that as yet eludes them; Jerome Robbins's *In the Night* prompts them to use the kind of slow, heavy, solemn Romanticism they already overdo.

Best was Balanchine's *Apollo* – flawed but alive. This *Apollo*, not the shortened *'Pollo* that Balanchine staged in his last years, gave New York its first view of the old prologue and apotheosis for 17 years – a more satisfying text of the century's most influential ballet. Igor Zelensky, the young stone-faced tough who danced the protagonist and who gave the season's strongest male dancing, joins New York City Ballet later this year.

The Kirov still has a number of real dancers; but just now it is not the best place for them to be. Too many of them, like the young Yulia Makhalina (Terpsichore in *Apollo* and first-cast ballerina in *Swan Lake* and *La Bayadère*), show outstanding physical talent that has been educated away from its truest dance instincts.

The US consummates a romance with Monet

Paula Deitz reports on the opening of a US-inspired museum in Monet's beloved garden at Giverny

ON A recent summer day in the French village of Giverny, the old stone houses along the rue Claude Monet were draped in banners that read: "Parkings Exterieurs; Vie Meilleure." No students' or farmers' protest this, but a village at war with its fame and the tourists' cars which residents would like to restrict to areas away from the narrow streets in order to maintain their quality of life.

The occasion of the protest was the opening of the Musée Américain, a small museum on the rue Claude Monet devoted primarily to American Impressionist painters. But the roots of it go back to that day in 1883 when Monet saw – fleetingly from a train – the property in Normandy he made famous as his home in this village along the Epte, a tributary of the Seine, 45 miles north west of Paris.

Soon after, Giverny became a mecca for those American artists who sought to treat art as Monet did, in Paul Valéry's words, as "the eye's most delicate reactions to light." Influential among the strong Boston contingent that arrived after studying in Paris was the artist Lilla Cabot Perry, who lived in the house next door to Monet, whom she befriended during her sojourns there. She also maintained small studios for her friends, and at one time more than half the houses in Giverny were occupied by US artists.

In a sense, this American romance with Giverny has never abated, for when the time came in the 1970s to restore Monet's house and the water-garden that inspired his water-lily paintings, the job was largely done with American funds. Successful as was this restoration, the village has been overrun ever since by tour buses. Still, the magic is there for Chicago art collector Ambassador Daniel J. Terra and his wife, Judith, who found out in 1986 that the Perry house was for sale. They purchased it with the notion, which later proved impractical, of creating a small gallery for the American Impressionist paintings in their collection.

They developed instead the idea of building an American Museum in the village to commemorate that period of cross-pollination. On the eve of the opening of their Terra Museum of American Art in Chicago in 1987, they purchased a site on the rue Claude Monet, formerly the haystack fields of Monet's paintings. (A Reagan cultural affairs ambassador, Daniel Terra's invention in 1936 of ultra-rapid drying ink transformed the magazine world and led to his financial success.)

After many long meetings with the mayor of Giverny and the village council, the architecture for the museum came about almost by accident. The main concern of the Terras was to return American canvases painted in Giverny to the natural light there. Rural though the site is, it shares the same street with the *mairie* and the church and is in close proximity with village houses. French architect Philippe Robert of Reichen & Robert found a solution by doodling a design based on the stepped terraces that cascade down the hillside village. The result is a quiet architecture, more a conversation with the landscape than a statement in it.

Inside, the galleries are like three enclosed terraces descending a steep slope, and the light that enters through north clerestories is reflected off exterior stone walls and diffused into the galleries across inclined ceilings. Periodically, glass walls overlook wheat fields with poppies. Without resorting to the vernacular, Robert has been careful to preserve the character of the village with a series of low limestone rectangular buildings that almost disappear under flat rooftop terraces planted in heather. (Some 70 per cent of the structure is actually underground.)

One of the prettiest parts of the whole project is the parking lot for 250 vehicles, a lush green field planted with fruit trees that is indistinguishable from any orchard on a local farm. For the gardens that front the museum on the village street, pains had to be taken to make them attractive without duplicating either the flower borders and trellises of the Monet garden across the road or the landscape paintings on view. Here again, Mark Rudkin, an American landscape gardener who lives in France, appears to have drawn inspiration from the small front gardens of the village houses across the way.

For the opening exhibition "Lasting Impressions: American Painters in France, 1865-1915" (until November 1), the curator has gone to great pains to convey the Giverny experience both in terms of artists and range of styles by securing loans to complement the Terras' collection. The 90 works on view represent 40 artists. Not since the late 1880s and 1890s at the St. Botolph Club in Boston have so many of these canvases been shown together. In the first two galleries are paintings from the early and late periods in Giverny; and in the third, works by compatriots living elsewhere in France including Brittany and Paris.

The one painting that speaks for the whole period is Theodore Robinson's "The Wedding March" (1892), which celebrates from memory the ceremonial walk from the *mairie* to the village church for the marriage a few weeks earlier of Monet's stepdaughter to the American artist Theodore Butler (father and bride lead off the wedding party.) Robinson wrote in his diary, according to the catalogue, that his only model was the groom's silk hat, but what he had learned about light, colour and brushwork can be summed up in the fragile transparency of the bride's veil.

Although there are paintings of Giverny gardens and of haystacks in changing light, some of the strongest works in the show, by among others Willard Leroy Metcalf and Theodore Wendel, have as their subjects the River Epte and the streams and brooks eddying around the village through green fields with pollarded trees. When they returned to America, the artists brought this same sensibility to New England scenes: Wendel's "Bridge at Ipswich" (ca.1905) could almost be Giverny if not for the architecture of the neighbouring houses.

Three oil sketches and a study by John Singer Sargent for "Oyster Gatherers of Cancale" (1878), united in the show with the finished painting, offer rare documentation of how he developed his fluid brushwork and muted palette. With Childe Hassam's "French Peasant Girl," Mary Cassatt's prints influenced by the Japanese style and Maurice Prendergast's view of the Tuileries Garden (that predates his Boston Public Garden Sketchbook), the viewer is introduced to a wide spectrum of American art, albeit as practiced abroad.

As a showcase for American art, the museum plans to broaden its programme to include exhibitions, for example, of early abstract paintings by such modernists as Arthur Dove. Otherwise, as an attraction with good public facilities, it could be that the Musée Américain will disperse the concentration of visitors to Monet's garden over a wider area and decrease congestion in the village. Judging by the still tranquil stretch between the *mairie* and the village church, the essence of Giverny has been preserved.

INTERNATIONAL ARTS GUIDE

■ CHICAGO

RAVINIA FESTIVAL
Tonight, Tony Award-winning actress Bernadette Peters hosts a show of classic American songs and Broadway's greatest hits. Tomorrow: Peter, Paul and Mary. Thurs: Preservation Hall Jazz Band. Fri: André Previn opens two weeks of concerts with the Chicago Symphony Orchestra with a programme including Ravel's G major Concerto (David Owen Norris) and Mendelssohn's Italian Symphony. Sat: Emanuel Ax plays Beethoven's Fifth Piano Concerto. Sun: Chicago Symphony plays American classics. Next Mon: Lieder recital by Edith Mathis. The festival runs until early September. All concerts are broadcast to the lawn for outdoor listening. Admission to the lawn is always available (312-782 4642)

■ COPENHAGEN

TIVOLI CONCERT HALL
Tomorrow's recital by the Hagen Quartet includes works by Janacek and Beethoven. Noel Lee gives a piano recital on Fri, followed on Sat by a concert performance of Simon Boccanegra conducted by Marcello Viotti. All performances begin at 19.30 (3315 1012)

■ GENEVA

This summer's music programme at the Cour de l'Hôtel de Ville is built around the theme of dialogue between Europe and Latin America. In concerts tonight and tomorrow, Ensemble Encuentros perform contemporary music from Argentina and other South American countries. Thurs: guitar recital by Miguel Charovsky (312 4353)

■ HAMBURG

Carlos Kalmar conducts the Hamburg Symphony Orchestra tonight at 20.00 in the second of its series of Tuesday evening summer concerts in the Rathaus (454946). Tomorrow at St Michaelis Kirche: Simon Rattle conducts the City of Birmingham Symphony Orchestra in works by Janacek and Mahler (366588). Opening on Fri in St Pauli Theater: summer production of Cole Porter's musical Kiss Me Kate (314344). The Deutsches Schauspielhaus has daily performances of West Side Story (248713)

■ MUNICH

MUNICH OPERA FESTIVAL
Tonight's performance in the National Theater is Le nozze di Figaro, with Pamela Coburn, Barbara Bonney and Thomas Hampson. Tomorrow: Die Meistersinger von Nürnberg with Bernd Weikl and Lucia Popp. Thurs: Boris Godunov with Evgeny Nesterenko. Fri: Der Rosenkavalier with Felicity Lott as the Marschallin. Wolfgang Sawallisch conducts Figaro and Meistersinger, as well as Nikolaus Lehnhoff's new production of Henze's Der Prinz von Homburg on Thurs (in the Cuvilliés-Theater). This is the final week of the 1992 festival, after which the National Theater will close for extensive revision to the hydraulics system, lasting most of next season (221316)
CONCERTS
Tonight's outdoor Vivaldi concert in the Brunnenhof der Residenz is given by the Munich Bach Collegium (299901). Thurs at Gasteig: Simon Rattle conducts the City of Birmingham Symphony Orchestra in works by Turnage, Haydn and Prokofiev. Fri at Matthauskirche: City of Birmingham Symphony Chorus sings Bruckner, Mendelssohn and Duruflé (48098 614)
CINEMA
A Week of Birmingham Films: Roger Shannon, artistic director of the Birmingham Film and Television Film Festival, has selected a series of films to be shown every night at the Stadtbibliothek, starting on Sat (401832)

■ NEW YORK

Avery Fisher Hall 20.00 Mostly Mozart: Christoph Eschenbach is conductor and piano soloist with the Festival Orchestra tonight and tomorrow. Fri and Sat: Neeme Järvi conducts Mozart (875 5030)

■ SEVILLE EXPO

DANCE
National Ballet of Chile can be seen tonight in the Roman amphitheatre of Italica. Thurs and Fri: Victor Ullate Company. Evenement 92, a new ballet choreographed by Joelle Bouvier and Regis Obadia with music by Louis Winsberg, can be seen on Thurs and Fri in the Central Theatre. Sun, Mon and next Tues in the open-air Auditorium (5500 seats): flamenco spectacular.
MUSIC
Tonight's concert in the Maestranza Theatre is a performance of Mahler's Eighth Symphony by the Symphony Orchestras of Bilbao and the Basque Country. Tomorrow: Seville Symphony Orchestra. Thurs and Fri in the open-air Auditorium: Lorin Maazel conducts World Youth Philharmonic Orchestra. Daily at the Palenque: music from Cuba.
● For further information, dial 0034 5 448 0404 from outside Spain, or 902 22192 in Spain.

■ STOCKHOLM

DROTTNINGHOLM
The main event at this summer's festival at the Drottningholm Court Theatre in Stockholm is a new production of Gluck's Orfeo ed Euridice, conducted by Arnold Ostman. After this week's performances (tomorrow and Fri), the festival takes a break until August 21, when there are two further performances of Orfeo, followed by Ivo Cramer's pantomime ballet after Beaumarchais, entitled Figaro (660 8225)
VADSTEJNA
The Vadstejna summer opera festival, set in the historic buildings of this medieval town 250 km south-west of Stockholm, includes a revival of The Island of Spirits (till Aug 9 at Vadstejna Castle), an opera by the late 18th century Prussian court composer Johann Friedrich Reichardt. Last year's acclaimed production of Jonas Forssell's comic musical drama Thine is the Kingdom is revived at Vadstejna Old Theatre on Aug 7 (143 12229)

■ STUTTGART

LUDWIGSBURG FESTIVAL
Agnes Baltsa is soloist in an evening of Greek folklore on Fri in the Theater im Forum. Sat: Andras Schiff, Yuuko Shiokawa and Boris Pergamenshikov play chamber music by Schumann and Janacek. Sun: Dietrich Fischer-Dieskau, accompanied by Murray Perahia, sings Brahms' Die schone Magalone. Mon: Simon Rattle conducts the City of Birmingham Symphony Orchestra in Mark Anthony Turnage's Three Screaming Popes and Deryck Cooke's realisation of Mahler's Tenth Symphony. Guest artists in August include Anne Sophie Mutter, Marilyn Horne, Gwyneth Jones and Les Arts Florissants (7141-949610)

■ WASHINGTON

WOLF TRAP
John Williams conducts tonight's concert by the Boston Pops Esplanade Orchestra. Tomorrow: Preservation Hall Jazz Band. Thurs, Fri and Sat: National Symphony Orchestra at the movies. Thursday's programme is a screening of Phantom of the Opera with live orchestral accompaniment. Friday is Alexander Nevsky, and Saturday is a night of classic escapes, with scenes from Robin Hood, Ben Hur and others. Sun: The Peking Circus. Next week: Ballet West in Romeo and Juliet (Filene Center at Wolf Trap, 703-218 6500)
BLUES ALLEY JAZZ
Nancy Wilson (vocals) is this week's resident artist at the Blues Alley Jazz Supperclub. Dining from 18.00, showtimes at 20.00 and 22.00 (1073 Wisconsin Ave, in the alley, 202-337 4141)
BALTIMORE SYMPHONY ORCHESTRA
This weekend's concerts at Oregon Ridge include a Spanish fiesta on Fri, with orchestral favourites by Bizet, Ravel, Lalo, Falla and Rimsky-Korsakov; on Sat, a programme of popular works by Richard Strauss, John Williams, Johann Strauss and Holst; and on Sun, a Gershwin programme. Aug 7: romantic works and fireworks. Aug 8: Disney classics (410-783 8077)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Tuesday July 28 1992

No-confidence vote in Tokyo

THE GLUM reaction in the Tokyo markets to the half-point cut in the official discount rate is becoming something of a habit. Stocks have fallen sharply after each of the five rate cuts made since July 1 last year. Such consistent refusal to be cheered by monetary easing suggests a verdict: the market now seems to believe that the Japanese malaise is beyond purely monetary cure.

This looks plausible. Decades of rapid growth have left Japanese domestic demand heavily dependent on industrial investment. It is difficult at the best of times for such an economy to slow down in an orderly way, since investment responds sharply to quite mild disappointments about domestic growth. The official reliance on consumer demand to fill the hole this time always did look like wishful thinking, even before consumer confidence was undermined by the property and stock market collapses; it now looks absurd.

Although the consensus forecasts still speak of some growth in the Japanese economy this year, there is now a clear danger that the consensus is as far behind events as it has proved in the UK. The recent news is forbidding. In May, Japan's seasonally adjusted industrial production (the most recent figure) fell 1.9 per cent from April; yet inventories rose 0.4 per cent. Retail sales in June fell 4.3 per cent from a year earlier – the third drop in four months. The money supply grew by only 0.9 per cent in the year to June. As a government spokesman modestly admitted, it is hard to see any promising stimulus anywhere.

It is not hard to suggest a possible remedy. In an economy where private investment is undermined by poor growth prospects, and consumer confidence by financial losses and doubtful job prospects, a really large programme of public sector investment virtually suggests itself. This is what the US has been demanding, and what the market may have been hoping to hear announced last Friday. In the event, they found a government still dithering over a package whose details are still obscure, but which appears to contain more window-dressing than substance. As one Tokyo broker sourly commented yesterday: "The market does not need more details, it needs the kind of government that would have made the hard decisions on Friday."

Some hesitation is understandable. The policies which the Japanese authorities are now being asked to adopt – a combination of easy monetary policy and a strong fiscal stimulus – are precisely those adopted, again under US pressure, in 1986, and which led to the bubble economy.

However, that history is very unlikely to repeat itself, for two reasons. First, the Japanese authorities allowed the boom to persist, against their better judgment, in order to help Mr George Bush in his 1988 election campaign. This time, there is no such reason to inhibit timely monetary tightening. But above all, confidence is now so low that the dangers are on the downside. Dithering is the most dangerous policy.

Travel blues

THE LABOUR party's suggestion that the government consider compensating those who lost money in last week's collapse of the Land Travel coach company will receive little sympathy from the majority who take the trouble and can afford the expense to book their holidays through better-protected organisations.

Most holidays are sold through companies affiliated to the Association of British Travel Agents (Abta) or other trade associations, which offer a high level of protection to customers. Land Travel, which was not an Abta member, was an exception.

The government insists its proposed regulations will ensure that from the beginning of next year, all purchasers of package holidays will be as well protected as the majority are today. In their current form, however, the proposed regulations are unlikely to prevent future Land Travels.

The aim is to implement a European Community directive due to take effect at the beginning of 1993. This stipulates that travel companies make arrangements to ensure holiday makers receive compensation and can return home if their company collapses.

The directive will not require changes to be made to the sale of air charter holidays, since UK providers of these already have to be licensed and arrange bonds to protect their customers. The bonds are backed by the Air Travel Trust Fund, set up in the 1970s through a levy on holidays and shortly to be topped up via the same mechanism.

Travel by land and sea presented the government with a more complex challenge. Many providers of non-air package holidays are small companies; a hotel in Scotland which also offers golf is a provider of package holidays. It would be expensive and impractical, the government says, to license all of these.

Abta suggested the government distinguish between holidays abroad and at home. All companies taking travellers out of the UK should be licensed and bonded, Abta said. A surface travel fund should be set up along the lines of the air travel fund.

The government has now agreed to the establishment of such a fund, but membership will be voluntary. Surface travel companies which remain outside the fund will have to make arrangements to protect their customers. Trading standards officers will check they have done so, but it will be difficult for them to know whether arrangements are adequate, and there will be no reserve fund to back them up if a company fails.

The government has reason to resist yet more molly-coddling of package tourists. Why, after all, should package holiday makers be better protected than those who buy pensions? But if the government is going to regulate holidays – and the EC directive gives it no choice – surely it is better to have a simple, universal system for holidays abroad of the kind Abta has recommended. At least that would be effective.

Reform in Algeria

ONE MONTH after the assassination of the acting head of state, Mohammed Boudiaf, the Algerian authorities have yet to provide any clues as to how they plan to break the country's spiral of violence and economic decline.

Some of the appointments made since his death suggest that the five-member collective presidency wishes to respect Mr Boudiaf's commitment to serious reform. But the continuing crackdown on militants of the banned Islamic Salvation Front (FIS) has not stopped repeated acts of sabotage, and the 12-year prison sentence handed out to the two main FIS leaders, Mr Abassi Madani and Mr Ali Benhadj, has done nothing to calm their more extreme supporters. Unless the government sets out a convincing new political and economic direction for Algeria, civil war is a real possibility.

The new prime minister, Mr Belaid Abdesslam, was a respected adviser to the late President Boumediene in the 1970s. But he is also reputed to be an obstinate man, still attached to the old dogmas of the state command economy. He recently criticised the abolition of subsidies and the devaluation of the dinar, suggesting that Algeria should live on a war footing, on the \$3bn (£1.6bn) of its \$12bn annual foreign income left after foreign debt service.

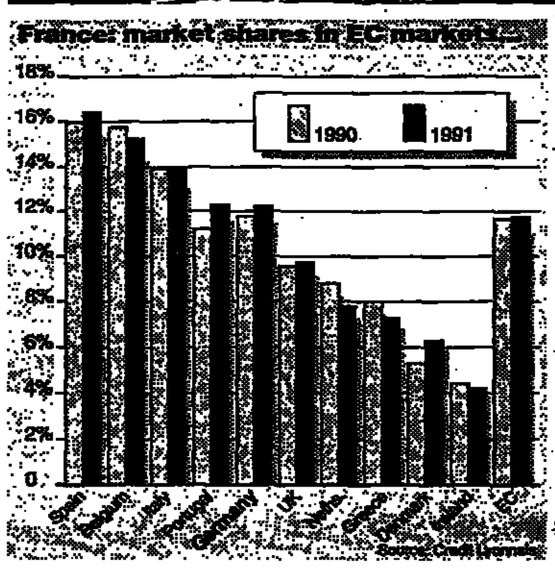
Since the riots of 1988, Algeria has embarked on a programme of reform and is currently negotiating a third standby credit with the IMF. Will Mr Abdesslam follow the traditional "Algerian" way of pushing blindly ahead in the belief that he is right, or will he take the advice of the IMF and EC, and accept that Algeria is not immune to global market forces?

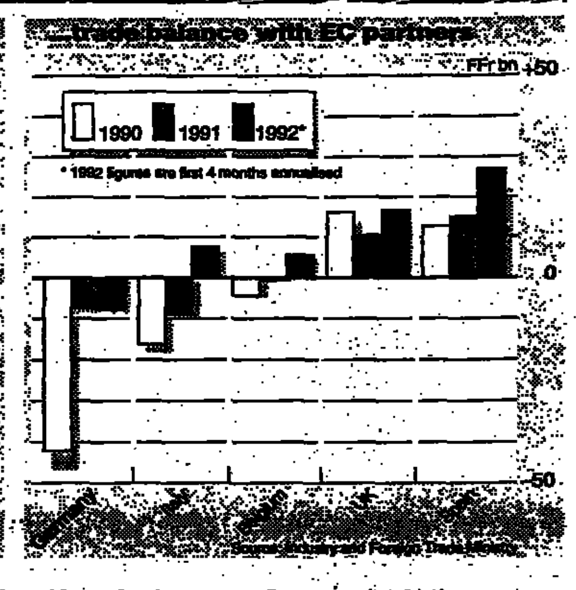
Agreement with the IMF, which as recently as last month commended Algeria's policy of refinancing rather than rescheduling its \$25bn foreign debt, is vital. Without it other loans, notably from the EC, will not be forthcoming. Nor will Algeria be able to attract foreign investment outside the field of hydrocarbons. More than 100 joint ventures have been signed, often by private Algerian entrepreneurs, with foreign companies in sectors such as pharmaceuticals, building materials and computers. The prime minister will have to negotiate with France, which – unlike Italy and international commercial banks – has refused to refinance its \$6bn of state-guaranteed export credits.

Dialogue with its foreign economic and financial partners would be in Algeria's best interests, and a measure of support from western countries, whose oil companies have signed exploration agreements following last year's liberalisation, will be forthcoming. But obtaining greater sacrifices from a population, part of which tacitly or overtly supports the FIS, may prove impossible, unless the collegiate presidency can establish a dialogue with the FIS and other opposition parties. In the absence of such a dialogue the violence at home seems certain to worsen.

Germany is increasingly the target for French industrial investment and exports, writes **William Dawkins**

France sets sights across the Rhine





Corporate France is launching an unprecedented invasion across the Rhine, attracted by the belated realisation that Germany is the key to its success in the European market.

The first French boarding parties have had mixed success in a country in which resistance to foreign incursions is still a factor, although the single European market is helping to erode such barriers. However, the French can already claim a record number of takeovers and some export success.

French companies last year took over 70 west German companies, more than three times as many as in 1990, says the Patronat, the French employers' association. Since the collapse of the Berlin wall almost three years ago and the ensuing privatisation of most east German industry, France has emerged as the largest foreign investor in eastern Germany by far, having spent FFr7.7bn (£770m) on buying 78 privatised companies, covering everything from industrial gases to petrol stations. France's nearest rival, the US, has invested the equivalent of FFr5.2bn over the same period, according to the Treuhandanstalt privatisation agency.

At the same time, French exporters have increased their share of the German market from 11.8 per cent in 1990 to 12.2 per cent in 1991. In addition, France's trade deficit with Germany, its largest trade partner, is slipping, to FFr7bn last year from FFr42bn in 1990. Car makers are leading the charge, with a 54 per cent rise in exports to Germany last year.

Symbolically, Renault is now the biggest-selling foreign marque in Germany. In the east, sales of the Renault 19 last year overtook those of that quintessentially German success, the VW Golf, partly because of the French car's low price.

On the takeover front, French investments in Germany include:

- The majority state-owned oil company, Elf Aquitaine, which has won an agreement to run the monopoly petrol station chain in eastern Germany. The deal entails an estimated DM6bn (£2.11bn) investment by Elf and its local partners – the largest French investment in Germany since the second world war.
- L'Air Liquide, which has become the east's market leader in industrial gases by taking over three privatised producers. "Our first objective in Europe is Germany," says a L'Air Liquide executive.
- In west Germany, Moulinex, the French domestic appliance maker, which last year paid DM130m for Krups, the family-controlled maker of coffee machines and blenders.
- France's biggest state-owned bank, Banque National de Paris (BNP), which is negotiating to exchange stakes with a leading German bank, Dresdner, which is in turn partly controlled by Germany's largest insurer, Allianz.

All this marks a big change from a few years ago, when the French business world shrank under the shadow of German competition. Where does this new confidence come from?

Part of the answer lies at home. French companies are reaping the benefits of a decade of German-style monetary and budgetary rigour. Successive Paris governments have followed a policy of disinflation after the short and unhappy experiment with interventionism and budgetary expansion in the early 1980s. For the first time, French business has a solid base from which to expand across the Rhine.

Mr Pierre Bérégovoy, prime minister and former finance minister, has for the past 13 months delivered inflation rates lower than in Germany. French inflation is now at 3 per cent annually against Germany's 4.3 per cent. This is the key to French price competitiveness.

There is also broad political support for Mr Bérégovoy's monetary and budgetary rigour. To help matters further, France's strike record has improved substantially, despite the disruption of the recent truckers' strike.

Germany has been in the sights of French government economists for the past 10 years, but it has only recently become the central interest of business strategists. Initially, the French takeovers of recent years were concentrated in the US, rather than in Europe. But French companies have realised that they can no longer afford to neglect Germany, which they had previously ruled out as being all but closed to foreigners.

"It's all due to the fact that French companies have just begun to define European strategies for themselves and this cannot be complete without a strong German strategy.... But we are only catching up, after having been delayed by the economic policies of the French government at the start of the 1980s, which held up foreign investment," says Mr Ernest-Antoine Seillière, chairman of the Patronat's economic commission.

Mr Michael Ballhausen, the executive in charge of BNP's link with Dresdner Bank – recently cleared in principle by the French government – explains: "There has been a lack of BNP investment in Germany in the past. Dresdner is in a similar position in relation to France." Both partners realise that they need more agencies abroad, preferably with local partners, to reflect the growing internationalisation of their customers and competitors.

Another factor in France's new wave of German investment is the east German privatisation programme. France was the first to benefit from the inability of west German industry to absorb all the privatisations on offer – one reason the Treuhandanstalt is encouraging foreign investment – and from the concern of east Germans to reduce domination by their western compatriots.

Even so, foreign investment in eastern Germany has fallen below the Bonn government's hopes. So far, non-German companies have bought a mere 5 per cent of east German privatisations.

L'Air Liquide is a prime example of a French company which has seized this chance to plug a hole in its European market strategy. For years, the French company had a derisory share of the west German market, blocked by Linde, the powerful domestic supplier of industrial gases. The pair had an unspoken agreement that they would stay out of each others' national markets, an accord which became unworkable with the European Commission's application of competition policy.

With unification, L'Air Liquide snapped up three privatised east German companies, against competition from Linde. The acquisitions gave L'Air Liquide 40 per cent of the eastern market for industrial gases and 12 per cent of the overall German market. It is investing FFr1.4bn in a bid to increase its overall German market share to 20 per cent.

Yet resistance to French and other foreign investment can still be a factor, even in the east. It is evident in a whole range of sectors, but it comes from the grass roots, rather than reflecting official policy.

Take the experience of Electricité de France (EdF), the state-owned power utility which is Europe's largest exporter of electricity. Two years ago, it had high hopes of being the lead foreign partner in a west German consortium to supply and distribute electricity in the east. In the event, EdF has had to settle for a much smaller project, a joint venture with the west Germans to build and manage new power stations in the east.

The problem was partly the fault of the French government, which held up the deal by not letting the German partners take a stake in EdF, as they wanted. But the final block came when east German local authorities said they wanted to manage their own power supply, as their west German counterparts do.

Another example of the problems facing potential investors is the difficulty experienced by Crédit Lyonnais, the state-owned bank, which wants to expand into Germany as part of its strategy of turning itself into a pan-European bank.

Last autumn, Crédit Lyonnais broke off co-operation talks with Commerzbank, Germany's third-largest bank, after four years. The two banks could not agree on who would take the lead in their respective domestic markets, and Crédit Lyonnais is now seeking an alternative opening in Germany.

"Because Commerzbank was there as a potential partner, we were not as aggressive in Germany as we might have been," admits Mr Ad Nollen, Credit Lyonnais's European general manager. As a result, it now has fewer branches there than in Belgium, he points out.

Crédit Lyonnais has now found an alternative entry to Germany thanks to another state-owned group, Assurances Générales de France (AGF). The pair struck a gentlemen's agreement earlier this year to help each other get round local opposition to two difficult investments.

AGF wanted to strike a commercial accord with an unwilling Aachener und Münchener (AMB), Germany's third-largest insurer, in which it has a slightly more than 25 per cent stake. To weaken the resistance of AMB's management, the French insurer persuaded Crédit Lyonnais to consider buying a stake in the German insurer's loss-making banking subsidiary, Bank für Gemeinwirtschaft (BfG). The strategy appears to have worked, in so far as AMB has recently lifted its objections to letting AGF use its full voting rights and accepted that Crédit Lyonnais should start negotiations on taking the problems of the banking unit off its hands.

The clear lesson from the French companies that have succeeded across the Rhine is that a local partner helps.

This, at least, is how Elf Aquitaine accounts for the ease with which it acquired Minol, the east German petrol station chain. The French company is acting with Thyssen, the German steel and engineering group, which will build a refinery to supply Minol, and SB Kauf, a hypermarket chain which will stock the filling station shops. Elf's unsuccessful rival was a group led by British Petroleum, with French, Austrian, Norwegian and Italian partners, but no Germans.

Where French companies have met resistance, they attribute it to cultural and psychological factors. But they believe this will be weakened by the Treuhandanstalt's encouragement of foreign investment and by the opening of European markets. "There is latent protectionism," says Mr Claude Tagger, AGF's director of international development. "But it can't possibly survive under the weight of market forces."

Joe Rogaly

Saddam's wriggle explodes UN myth

A cloud of self-deception is obscuring the United Nations tower in New York. It allows the famous building's inhabitants to imagine that their organisation is an effective force. The hard truth is that it is nothing without the United States – and this summer the US is likely to withdraw its hand from the glove puppet.

President Bush will pounce, either alone or through the UN, if he sees a chance to score a victory somewhere on the face of the globe – perhaps even in the Gulf – that might ensure his re-election. In real life such opportunities are rare. The risk usually outweighs the potential reward. Washington's foreign policy is therefore gradually being put on hold until after November 3. That means the UN may have little more to offer the world this year.

Take the latest myth, generated over the weekend. Its proponents would have us believe that President Saddam Hussein has once again been obliged to bow to UN pressure. The world's peacekeepers will after all be allowed to enter the ministry of agriculture building in Baghdad, where they may search for information on Iraq's missile programme. It is supposed to be a famous victory. Piffle. Consider what Mr Saddam has achieved. First, he kept the UN inspectors hanging around for 18 days in a camp outside the ministry. Then he waved them goodbye as they went back to base. Then he failed to register the slightest sign of concern at threats of renewed military action.

Finally he did a last-minute deal that suited him more than it suited the US or the UN. If there was useful evidence in the agriculture ministry before, there is unlikely to be more than shreds and ashes left behind now. Mr Rolf Ekeus, the UN official in charge of the dismantling of Iraq's weapons, has acknowledged that the building has probably been "effectively cleaned out". That is bad enough. Far more damaging is the fact that Mr Saddam has been able to tell the UN who it may send in and who it may not. The team of inspectors includes two Americans. The latter will not be allowed inside the agriculture ministry, but may hover outside. There they may sift through material brought to them by colleagues more acceptable to Baghdad. There is nothing to find, and the Americans are not permitted to find it. Farce is piled upon farce. Civilised diplomats see it as a small compromise. As yesterday's Iraqi papers indicated, Mr Saddam regards it as a useful precedent.

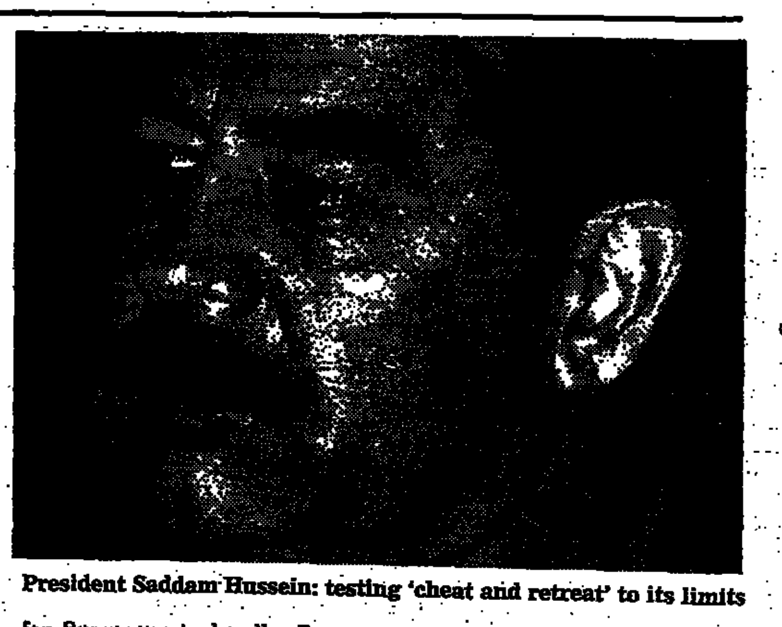
Any useful evidence in the agriculture ministry is unlikely to be more than shreds and ashes now

We have been here before. Last September the president of Iraq "backed down" twice, once over the UN inspectors who had bravely sat him out in a Baghdad parking lot, and once over UN helicopter surveillance flights. "There's been a pattern of cheat and retreat all the way through this," said the White House press secretary, Mr Marlin Fitzwater. The word went out that the Iraqis would not be allowed to get away with it again. Now, less than a year later, Mr Saddam has tested the "cheat and retreat" policy to its limits. Worse, he has extended those limits. He has finessed the UN into accepting that some of its inspectors are less unwelcome than others. This must give him hope of a new formula – cheat and defeat. President Bush warned on Sunday that "behaviour along the lines we have just witnessed will not be tolerated". If you were Mr Saddam, would you believe him?

None of this means that there is an easy solution. The Gulf ceasefire was negotiated before the allies' implicit war aim, the toppling of the Iraqi president, had been achieved. It was thought that since he had brought such disaster upon his own people they would overthrow him. That was a US miscalculation. The world now has to live with the consequences. The UN believes it has succeeded in blowing up many of Iraq's weapons of mass destruction, although nobody can be sure about replacements. It may be that renewed bombing would be effective, although the experts doubt it. Perhaps air power should be used to protect the Kurds in the north and the Shia Moslems in the south. Perhaps a political settlement should be sought.

I make no judgment about these and other possible strategies for ensuring that Iraq does not again threaten the peace. What is clear is that until either Mr Bush is re-elected or Governor Bill Clinton enters the White House the new world order is suspended.

This affects other areas of UN activity. When Yugoslavia first began to fall apart the US decided to regard it as a regional problem for Europeans to handle. Europe failed. National follies destroyed its unity. The Germans insisted on the recognition of Croatia. The Greeks would not accept the name "Macedonia". President Mitterrand parachuted himself into Sarajevo. Now Lord Carrington is being undermined.



President Saddam Hussein: testing 'cheat and retreat' to its limits

Washington could not ignore the chaos. The US secretary of state, Mr James Baker, decided that his country's interest lay in demonstrating that no borders may be altered by force. The alternative was that a terrible example would be set, leading to strife in eastern Europe and the former Soviet Union. In US eyes the former Yugoslavia is therefore no longer a regional problem, but a global one. Solving it has become part of building the new world order. The question remains: will Washington provide the necessary finance and military support? The Serbs seem unlikely to take notice of any power on earth other than the US. So far, there is little sign of this being seriously deployed. President Bush, so brilliant at foreign affairs in 1990 and 1991, has become immobilised by his opinion polls.

There is a third area of UN concern. In Somalia, a far-away land that was of strategic interest to the US when Ethiopia was regarded as a Soviet client state, some 2,000 people are dying of starvation every day, according to a reported assessment by an official of the US Agency for International Development. A quarter of the 8m population is reckoned to be in imminent danger of starvation. Assistance has been sent by a variety of donors, including the UN world food programme, the Save The Children Fund and the British government. The trouble is that the rival clans fighting a merciless civil war either steal such food as it arrives or prevent its passage.

Last week, 47 unarmed UN observers arrived to monitor a ceasefire that seems about as likely to be effective as any in ex-Yugoslavia. The difference is that an outside military force would stand a good chance of bringing the Somali civil war to an end, or at the least act as an effective guard for the relief convoys. The argument against sending a force in is that the UN should not interfere in the internal affairs of its member states. That did not stop the allies from protecting the Iraqi Kurds. Unfortunately for the dying Somalis, Uncle Sam is disinclined to be the world's policeman, the UN is impotent, and there is no one else to turn to.

Time runs out for the patience principle

Yesterday's interest rate cut in Japan has failed to dispel the gloom surrounding its economy, says Robert Thomson

The reduction in the Bank of Japan's official discount rate on Monday fits into a well established, but unfortunate, pattern. The central bank has cut the official discount rate five times since last July. Each time the cut has convinced investors that the Japanese economy has a serious ailment; but has not done enough to convince them that the authorities know a remedy.

Once again, a cut combined this time with a convincing election win by the ruling Liberal Democratic Party, has failed to inspire the Tokyo stock market, which closed at a six-year low yesterday and looks ready to plumb new depths.

Meanwhile, the LDP, having called an emergency meeting on Friday to discuss the ailing market, has begun to ask what more can be done to stimulate the economy and the stock market. Koichi Kato, the chief cabinet secretary, merely explained yesterday that Japanese "must have patience".

Japanese economic policy over the past two years has been based on the patience principle. There was a general recognition that the speculative financial bubble of the late 1980s should be punctured, but a vague hope among industrial companies and financial institutions that the adjustment would be swift and its effects on the real economy minor. Neither assumption looks plausible.

Recovery was to have come this summer, according to government officials, and then it was the autumn. But Japanese industry and, more significantly, the Bank of Japan, are conceding that an upturn may not arrive until early next year. Of more concern to the stock market is the growing fear that a true recession may be starting.

Japanese companies had presumed that profits this year would increase after a tough 1991. While some companies, such as Brother Industries, the office equipment maker, have announced plans to cut product lines, and securities houses are reducing their staff intake, most companies expected they could avoid sacking staff and scaling down their businesses.

Behind the new-found weakness in the stock market – and the Bank of Japan's recent response – is the realisation by companies that they will have to downgrade profit forecasts. There is also a sense within Japanese industry that profits next year may also be weak, a feeling that prompted the Japan Employers Federation to demand yesterday that the central bank cut the ODR again, and quickly.

Japan's economy: pessimistic picture

In addition to belated recognition of the weakness of the corporate sector, the Bank of Japan has also taken time to recognise the nature of the timebomb left by the the excesses of the 1980s. The banking system is carrying problem loans unofficially estimated to be between Y42,000bn (£173bn) and Y56,000bn, while bankruptcies doubled last year.

These figures do not convey the scale of the problem faced by banks forced to support leading clients who invested unwisely in property development or played and lost on the stock market. Banks have propped up clients in the hope that they would soon benefit from economic recovery and be able to trade themselves out of trouble.

However, the recovery has not yet arrived. Several large companies are straining the banks' patience. Tobishima Corporation, for example, the contractor turned developer, which owes about $7bn, has negotiated a restructuring packaged with its main bank, Fuji Bank.

But each time the stock market falls a notch lower, Japanese banks' reserves of unrealised gains, an important cushion against bad debts, are eroded. Mr Yasushi Mieno, governor of the central bank, has now said that financial institutions must assess on a "case-by-case basis" whether a company should be assisted, implying for the first time that large failures would be tolerated.

The central bank also quietly admitted last week that it had made a second miscalculation. Japanese consumers were to have provided an engine to revive the economy, by generating increased demand.

But in a quarterly report released last week, the bank noted that the "tempo of personal consumption growth is decelerating". The result of this unexpected trend is that "it is difficult to find any strong leading sector which could boost the economy".

As if to emphasise this point, the Ministry of International Trade and Industry yesterday released figures showing sales at large retail stores in June were down 4.3 per cent on the same month last year.

The net result is that Japan's economic growth will not meet the target of 3.5 per cent for the year to the end of March 1993 and, if most private forcasts are correct, will grow by only 2 per cent this year and not much more next year. Meanwhile, Japanese companies, facing slow domestic sales, are increasingly under pressure to increase exports, a trend that will add to the record $49bn trade surplus in the first half this year.

These ever gloomier prospects mean that stock market prices are likely to remain under pressure. Mrs Mineko Sasaki-Smith, chief economist at Credit Suisse Japan, said that, bearing in mind the downward revisions, the market "could overshoot" to 14,000 and recover to 14,500: "People who believe in international convergence of price to earnings ratios say it will fall to 12,000 or even 9,000, but I don't think this is the case."

The likelihood of a continuing drop in stock prices, and the certainty of a decline in corporate earnings mean that the Bank of Japan's work is far from done. Mr Mieno suggested yet again yesterday that the ODR had been cut for the last time, but before the end of the year the bank may be forced to move again.

Lingering faith in a recovery of stock prices has itself slowed the government and corporate response to the market's continuing decline. Albeit belatedly, the government is now front-loading public works spending this fiscal year and, in the next month, will finalise a supplementary budget that will increase public works spending by between an estimated Y5,000bn and Y8,000bn.

The precise size of the package will be determined by austerity-minded bureaucrats at the finance ministry, who are leaning towards a Y5,000bn package, while the LDP wants Y8,000bn. Having comfortably won an election in the upper house of the Diet, the LDP has an opportunity to convince the finance ministry to finalise quickly the supplementary budget soon.

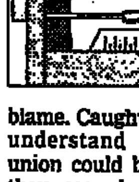
Apart from the budget, however, the LDP is at a loss. At an emergency meeting on Friday night, party and government leaders suggested that insurance companies increase their stock purchases or that the government establish a new stock purchase fund. Neither option looks particularly effective.

Japan's economy is adrift. Policy-makers seem unable to reverse the tide of pessimism. For this their previous mistakes bear most of the blame. The financial markets' reaction to the latest monetary manoeuvre not only confirms the depth of the pessimism, but will also tend to increase it.

PERSONAL VIEW

Speaking up for Emu

By Peter Kenen



If the peoples and parliaments of Europe say no to monetary union, the architects of Emu will have themselves to blame. Caught up in seeking to understand *how* monetary union could be made to work, they ceased to ask *why* one should want it to work.

The mistake was made early on, when the Hanover Summit asked the Delors Committee to propose "concrete stages" that could lead to Emu rather than provide a rationale. It was compounded by the Commission, which produced a cost-benefit analysis of Emu, titled One Market, One Money, but declined to claim that the benefits would exceed the costs. The title was as close as the study came to making a case for Emu.

The Commission's argument for Emu – that one market requires one money – is sound, but the missing steps have to be added. Forming one market and managing one money are utterly different. One market meant deregulation. It did not worry those opposed to strengthening EC institutions and creating new ones. One money goes in the opposite direction. New institutions are needed.

Nevertheless, the single market requires one money, because it requires fixed exchange rates. Floating exchange rates do not prevent free trade or free movements of capital and labour. But they would interfere with the EC's more ambitious forms of integration, including the gradual harmonisation of fiscal systems. When exchange rates are firmly fixed, moreover, and capital is highly mobile, monetary autonomy vanishes. Europe must, therefore, decide who should make monetary policy – the Bundesbank under the EMS, or the European Central Bank under Emu.

That question is often misunderstood. It does *not* ask whether Europe's policy objectives should differ from those of the Bundesbank, and the ECB Statute is clear on that point. The ECB will pursue price stability, just like the Bundesbank. But it will pursue price stability in Europe, which is different from pursuing price stability in Germany.

This distinction is illustrated by the events of the past three years. The European economy would be healthier if the D-Mark had been allowed to appreciate in real terms after reunification. But France resisted the realignment of nominal exchange rates, and the Bundesbank resisted the realignment of national price levels – the two ways to make the D-Mark appreciate in real terms.

The Bundesbank had no choice. It is obliged to resist any increase in German prices. In the process, however, it has punished the European economy for the deficiencies of German fiscal policy and the ambitions of German trades unions.

If the ECB had been up and running, it would have been required to maintain price stability in Europe as a whole but not in each individual country. Hence, it would have been more tolerant of higher German prices and allowed the realignment of price levels to occur automatically.

The president of the Bundesbank, worried about Germany, might have urged the governing council of the ECB to adopt a tighter policy but would have been out-voted.

Is this fantasy? Far from it. The Bundesbank does not aim at price stability in Bavaria or the Federal Reserve at price stability in Texas. A European monetary policy would not differ in nature from German monetary policy but would differ in domain and thus allow relative prices to contribute to macroeconomic adjustment.

Economists are fond of warning that Europe is not an "optimum currency area". There is not enough labour mobility, and the EC does not have a fiscal system required to make income-stabilising transfers. But that is why price flexibility matters. The EMS resists it; Emu would accommodate it.

Seeking agreement at Maastricht, however, the architects of Emu made mistakes that must be corrected.

For Emu to function more effectively than the EMS, the ECB must be able to make monetary policy for the entire Community, not for the small number of countries that can meet absurdly stringent convergence criteria by 1999. Otherwise, Emu will replicate the asymmetry and rigidity of the EMS, with the ECB pursuing price stability in northern Europe, and central banks in southern Europe having to follow it, just as they must mimic the Bundesbank now.

The compromise struck at Maastricht – between the French demand for automaticity and the German demand for limited eligibility – is inconsistent with the rationale for Emu.

A strong case can be made for reducing inflation rates and cutting budget deficits before moving on to Emu. Concerns about the impact on the world economy are greatly exaggerated. Those who have them, moreover, should ask themselves what they would recommend to Italy or Greece, with or without Emu.

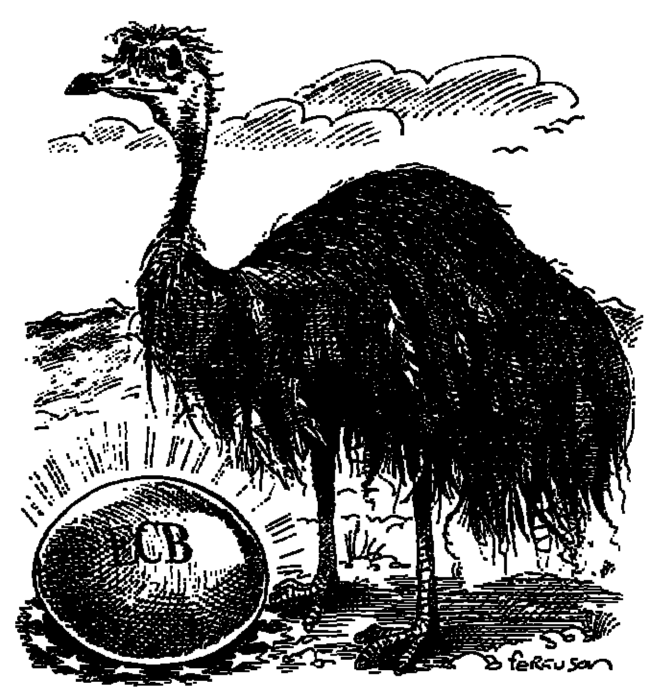
Nevertheless, countries having high debt levels, such as Belgium, Ireland, and Italy, cannot be expected to reduce them sharply in the few years remaining before the EC must decide which countries can participate in Emu; it may indeed be difficult for them to show that their debt levels are falling "sufficiently" and approaching the arbitrary target level at a "satisfactory" pace without depriving these terms of any meaning.

Europe also needs a coherent fiscal policy. The rules adopted at Maastricht are aimed exclusively at protecting the ECB from the political and market pressures resulting from large national deficits and debts. They cannot be expected to produce an appropriate fiscal stance for Europe – an objective that was emphasised by the Delors report but ignored at Maastricht.

Other matters give rise to concern – the narrow scope for ECB involvement in prudential supervision, the ambiguous division of responsibility for exchange-rate policy, and the operational inefficiencies likely to arise from the requirement that the national central banks should be used whenever "possible and appropriate" to conduct the open-market and credit operations of the ECB. These were concessions to jurisdictional jealousies – to national governments in the first two cases and to national central banks in the third. But that explains them. It does not justify them.

These defects can be corrected, however, after the treaty is ratified. Little time is left for the architects of Emu to explain that Europe can live more comfortably with Emu than with the EMS.

The author is professor of economics and international finance at Princeton University.



OBSERVER

Welcome for Hannam

■ One man who ought to have earned a mention in dispatches for his role in the Wellcome share sale is 36-year-old Ian Hannam, the man responsible for Robert Fleming's global book building team. Getting an issue of this size away in current conditions would have tested the talents of the best connected merchant bankers.

As it is, Hannam is one of Fleming's most recent recruits. The merchant bank was lucky to catch him on the rebound from Salomon Brothers. There is a suspicion that Fleming, whose capital markets team is good, but not that good, wouldn't have landed the Wellcome plum had it not been for Hannam. He joined for a month's consulting, but somehow just stayed.

Roger Gibbs, chairman of the Wellcome Trust which was selling the shares, says Hannam was "utterly splendid". He dedicated himself completely to the sale over the past few weeks, although on his fourth wedding anniversary last Thursday he did slip out for an hour to see his wife. But will he stay once the loose ends of the deal are tied up?

While Hannam didn't look out of place in Fleming's orange and blue "war room", it is less easy to imagine him retreating into its rather dour environment once the excitement has abated. But Lawrence Banks, Fleming's corporate finance chief, is optimistic and says his bank has room for a few oddballs.

Godly Godley

■ Whatever may be thought of the old style Keynesianism of economist Wynne Godley, he looks bound to leave a more lasting impression than most of his kind.

In the 1950s his late father-in-law, the sculptor Sir Jacob Epstein, used him as a model for a work for the then newly rebuilt Coventry Cathedral, entitled "St Michael triumphing over the Devil". So which one of the two is he?

"You'll be disappointed to hear it's not Old Nick," chirps Cambridge's professor of applied economics. "I'm on the godly side as St Michael, although only his face is mine. His body's an athlete who worked as a quantity surveyor, whose own face was for some reason thought more fitting for the devil."

But Godley's features at least are cast in stone for all time?

"Well, bronze actually," he says. "But apart from that, I suppose so. Unless the cathedral gets bombed again, at any rate."

Ruffled feathers

■ Veteran cricket commentator Brian Johnston confessed to being stumped when he discovered a radio station that seemed to be broadcasting nothing but birdsong.

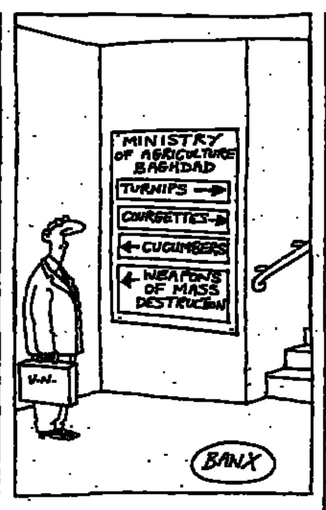
So during a lull in Sunday's Test Match special on Radio 3 he asked his startled guest to throw some light on the mystery chorus.

The answer would hardly have provided a crumb of comfort; what Johnston had stumbled across was the test transmissions for Classic FM – the national classical music station to be launched in September and a deadly rival for Radio 3.

Indigestion?

■ As if the prime minister didn't have enough on his plate, yesterday's tasks included doing the seating plan for a dinner to mark the 40th anniversary of the Queen's accession to the throne.

The hosts were all her surviving prime ministers (with the exception of Lord Home, who was unable to travel from Scotland) and the guests were members of the Royal Family and household.



For starters, where do you put the Prince and Princess of Wales, or Sir Edward Heath and Lady Thatcher? And in these post-Maastricht days, would it be right to put Lady Thatcher on the left of John Major?

Sea bass and summer pudding were on the menu, but like all the best parties the key to success is getting the seating plan right.

Let's hope it was another diplomatic triumph for the prime minister.

Fall from grace

■ Have you noticed how the pecking order in British banking has been reversed?

A year ago Barclays Bank was capitalised at £7.4bn on the stock market, towering above the rest of the Big Four clearing banks. Its position as one of the world's biggest and strongest banks was underscored by its triple-A credit rating.

Now it is the smallest in terms of its stock market capitalisation at under £5bn. Its value has fallen by a third over the past year.

The Hongkong Bank's takeover of Midland Bank has distorted the rankings, but even so Lloyds Bank, whose balance sheet is less than half Barclays' size, has leapfrogged it, and is now running neck and neck with NatWest, which used to be Britain's biggest bank before it was knocked off its perch by an aggressive Barclays.

For an institution that is two years older than the Bank of England and prides itself on traditions of integrity and prudence inherited from its Quaker founders, Barclays' recent fall from grace is a rather sad state of affairs.

No doubt it will bounce back.

Tasty morsels

■ Fancy eating a Mel Gibson? Or munching a Madonna?

No, not some form of perverse mastication but the latest in a trend so old it has mould on it: the use of Hollywood as a means of inducing consumers to part with cash.

"Celebrity Sandwiches", a lunchtime venue just opened in London's West End, has cottoned onto the idea that the star-struck just can't get close enough to their heroes and heroines; so why not eat them?

For £3.95 you can tuck into the Ivana Trump: "A luxury you can't divorce, double decker caviar and smoked salmon special."

Surely writs will soon begin to fly, transatlantic-wise?

Ripe

■ What do you call a French lawyer's au pair girl?

Avocado pear.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Oversight on precise Emu date

From Mr Peter Coffey.

Sir, An oversight appears with alarming frequency in reports and articles in your own and in other newspapers and magazines with regard to the final stage of European Economic and Monetary Union (Emu).

One frequently reads that, according to the Treaty on European Union, which was signed on February 7 1992, the third and final stage of Emu will begin no later than 1999.

However, if we examine article 109j, stations 3 to 5 (inclusive) of the treaty, we read that it is only if the date for the beginning of the final phase has not been agreed upon by the end of 1997 that it shall start on January 1 1999.

The ministers could, though, decide on July 1 2015, for example. Certainly, if as at present, only two countries, France and Luxembourg, fulfilled the strict criteria for economic conveyance and budgeting deficits – as laid down in the relevant protocols – there would be little point in going on to the final stage at any time this century.

There is unfortunately already a precedent for setting down dates for an Emu. In 1970, the six founder member states of the European Economic Community accepted the second and definitive Werner report, which aimed at creating full European monetary union by 1980! Alas, we are all too painfully aware of what happened to that attempt.

Peter Coffey,
Aalsmeerweg 115,
1059 AG Amsterdam,
The Netherlands

Jubilee Line will meet interests of Londoners and taxpayers

From Peter W Corfield.

Sir, Your leader, "Transport in Docklands" (July 22), correctly identified the various components of this complex matter and needlessly lengthy debate. However, in suggesting that the government should conduct a cost benefit analysis you are clearly unaware that such an assessment was conducted, in considerable depth, and forms the basis for the Jubilee Line Extension Project. Of significance, one of the major benefits was seen to be the transfer of excess passenger traffic from the Central, District and Circle Lines to the Jubilee Line to the advantage of east-west-east commuters.

The vexed question of a contribution to costs from the private sector is surely beyond debate – to my knowledge there is no formal, legally binding agreement between the two parties, although Olympia & York clearly had every intention of honouring its side of the bargain prior to its recent misfortunes. This contrasts strongly with the arrangements for improving the Docklands Light Railway – to which Olympia & York contributed in cash and kind more than £100m and got, in return, a system that until recently was quite unreliable and which was completed two years later than agreed.

By investing in the Jubilee Line extension, the government will meet the interests of people who live and work in London and will protect the interests of taxpayers at large. A considerable loss of income to central funds from the unified business rates in the Docklands area, ranging from £72m to £190m per year, is the inevitable consequence of cancellation.

By providing the Jubilee Line the government will also be recognising the plight of the east and south-east London communities which, although contributing magnificently to the wealth and status of London for centuries, have been denied proper access to the work and entertainment centres of the capital.

Peter W Corfield,
The London Docklands Business Initiative,
10 Cabot Square,
Canary Wharf,
London E14

Need for dose of realism

From Mr M Whitewell.

Sir, Ernst & Young's survey, "Managing in a zero growth economy", appears to highlight a fatal flaw in business strategy, often replicated by the government of the day; that of over-optimism ("Owner-managers' optimism faulted", July 22). Lord Hanson's and Lord White's philosophy of judging the suitability of an acquisition by assessing the downside risk rather than the potential benefit has much to commend it.

What we need in the UK is a large dose of realism. Until living standards are more closely related to achievable gross national product we will continue to experience economic woes. Clearly we must strive for a fairer society but this must be based on the foundation of living within our means. What we most need is a return to commonsense pay levels, property values, interest rates and the like which are determined by the UK's economic standing vis a vis that of other countries.

I find it ironic that so many businesses attribute their problems to high interest rates. High labour costs, low productivity and the cost of servicing loans obtained for questionable commercial ventures (often secured against inflated property values) are must more significant.

M Whitewell,
chief executive,
Jordan & Sons,
21 St Thomas Street,
Bristol

Pensions should provide for extreme old age needs

From Mr Denis Cassidy.

Sir, John Authers properly drew attention to "The rising cost of a ripe old age" (July 11).

The extreme end of that spectrum is the predicament of people who are old, ie over 80, who are now dependent and yet who are not ill in a conventional sense. In most cases the spouse has died, which has either caused or exacerbated the problems of dependence. If they do not have substantial private means, or a substantial occupational pension income, they are obliged to sell their home – a difficult process in the past three years – to release capital to fund residential fees.

Because of underlying changes in the residential housing market, it is likely that these problems will persist for some time.

It is true that there are some private sector life and health insurers who have launched "long term care policies" but the problem with these is that by the time need is recognised, they have become too expensive in most cases.

There is therefore clearly a need for the requirements of old age to be considered much earlier and I believe the process should start with providing for the need now while simultaneously trying to educate people to recognise the potential need for the longer term future: I believe that the most obvious way to do this would be for occupational pension funds to provide for the most extreme cases of need through pension fund benefits which would be funded across the entire company membership.

In simple terms, providing for an exceptional occurrence by a modest funding rate applied to the whole of the employee population in a way analogous to that of providing for death in service. We should recognise that, although the number of old people requiring care is increasing, it is still a small number who survive beyond 80 and who require full time nursing care.

John Authers' article is a very helpful contribution to an overdue debate.

Denis P Cassidy,
The Boddington Group,
75 Baker Street,
London W1M 1AH

FINANCIAL TIMES
Tuesday July 28 1992

UK government criticised over handling of economy

By Andrew Taylor, Ivo Dawnay and Terry Byland in London

THE UK government's handling of the economy was severely criticised yesterday as leaders of Britain's hard-hit building industry warned that a further 40,000 jobs could be lost by Christmas.

Share prices on the London stock exchange fell again as concern continued to mount about the effect of the recession on a large number of industrial and commercial companies.

The FT-SE 100 index of leading shares dropped 29.2 to 2,348.0. Since April 8, the day before the general election, the index has fallen by 45.2 points. Since peaking on May 11, it has fallen by 389.8 or 14.2 per cent.

On the foreign exchanges in London yesterday, the pound closed at DM2.8430, more than half a pfennig below the previous close but above last week's lows.

A survey of 600 construction companies by the Building Employers Confederation, the UK industry's biggest trade association, revealed that almost a fifth of those questioned were working at less than half capacity.

Two thirds of companies expected workloads to fall in the next 12 months. Almost half expected to have to shed jobs in the next three months.

Sir Brian Hill, federation president, said the building industry had already lost 260,000 jobs since the middle of 1989. He added: "We are in favour of strong medicine to beat inflation, but it is no use if the patient dies in the process."

He warned that recovery in the construction industry would not occur until late next year, and probably not until 1994. He appealed to the chancellor of the exchequer to stimulate the housing market to encourage greater confidence among consumers and help lead the country out of recession.

More gloomy economic news is expected today when the Confederation of British Industry publishes its industrial trends survey. The government also is likely to face further criticism when the Council of Mortgage Lenders is expected to announce tomorrow that more than 30,000 homes were repossessed during the first six months of this year.

Mr Gordon Brown, the newly appointed shadow chancellor, yesterday launched what the Labour opposition promises will be a summer of harrying attacks by charging the government with "a fundamental neglect of duty" by failing to take steps to bring the economy out of recession.

He said: "Action is needed immediately to end the fear of unemployment which is stopping people from spending, from moving home and from bringing about the economic recovery."

Mr Paddy Ashdown, the leader of the Liberal Democrats, in an open letter to Mr John Major, reminded the prime minister that he had claimed in January that home repossessions had been brought to an end.

Downing Street brushed aside the attacks, pointing out that two large building societies were reported to be planning mortgage rescue schemes.

London stock market, Page 23

Japanese cut in interest rates fails to impress

By Robert Thomson in Tokyo

THE Japanese government signalled its disappointment last night that a cut in official interest rates had not helped the ailing stock market. The Nikkei average surged soon after opening yesterday but closed 124.45 lower at 15,373.34, a six-year low.

Mr Tsutomu Hata, finance minister, was quick to welcome the cut, made before the markets opened, as "a timely and appropriate step".

Mr Koichi Kato, chief cabinet secretary, said the government had hoped that the Bank of Japan's reduction in the official discount rate from 3.75 per cent to 3.25 per cent would encourage the market. However, he said a recovery in share prices might only come in the "longer-term".

Mr Yasushi Mieno, central bank governor, said the reduction was necessary to stimulate capital investment and consumer spending. He emphasised that the cut was not intended to support the stock market but timed to precede a supplementary budget.

While Mr Mieno said the bank would be unable to reduce the ODR much below the present 3.25 per cent, the lowest level since October 1987, Mr Takeshi Nagano, president of the Japan Employers' Federation, said the rate must be cut again. He said the central bank and government had been too slow to respond to the economic downturn and that another rate cut should come quickly. Mr Keizo Saji, chairman of the Osaka Chamber of Commerce, urged the government to consider a cut in income taxes.

The government plans to hold a special session of parliament early next month to finalise the supplementary budget, which it hopes will rekindle the economy.

Another sign of the weakening of consumer demand came yesterday when the Ministry of International Trade and Industry released statistics for large retail stores showing national sales in June 4.3 per cent down on the same month last year.

The central bank had hoped that personal consumption would be the engine for recovery, and signs that demand was weakening are believed to have prompted the latest rate cut.

Editorial Comment, Page 12; Patience principle, Page 13

Central bank governor Mieno: stimulating investment

THE LEX COLUMN

Too little, too late

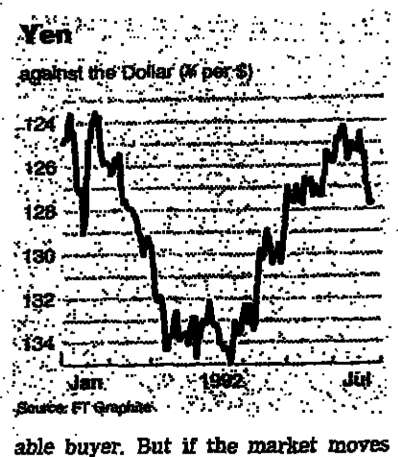
The Japanese authorities have fallen into a classic trap facing governments in their dealings with financial markets. Having raised false expectations ahead of last Friday's emergency government meeting on the equity market, they belatedly cut the discount rate to offset that disappointment. Had the action come out of the blue it would have stood a better chance of stabilising the market. Instead, it looked like a reluctant afterthought. The Nikkei duly fell 1 per cent to another six-year low. It could have some way further to fall before the authorities are ready to launch the more vigorous support which investors demand.

The Japanese market is in a rather different situation from Wall Street's last December, when the Fed rate cut prompted a stampede into equities. The outlook for corporate earnings is bleaker, equities yield little more than 1 per cent and short-term money market rates are 4 per cent. Much lower interest rates will be needed to restore confidence in the financial sector. The government may even have to take on some of the burden of bad debts, especially in the housing market.

Unfortunately, the yen has begun to fall in anticipation of yet lower interest rates. This may be counterproductive for equities because it will further weaken bank capital ratios and may well worsen protectionist pressure against Japanese companies ahead of the US election. But continued Bank of Japan intervention in support of the yen suggests ambivalence over further interest rate cuts. A more serious mood of alarm may be necessary to goad it into decisive action.

The message for the outside world is twofold. There is still plenty of room for a little local difficulty in Japan to spill into the international arena. But the Nikkei may be so low once corrective action is finally taken that it will then rebound strongly, especially if Japanese companies have also begun to understand that profit matters more than market share.

FT-SE Index: 2348.0 (-29.2)



Source: FT Graphite

Wellcome

For Wellcome shares to hold the issue price on the first day must be reckoned reasonable going, even allowing for a degree of support from the trust's advisers. The question is how long the trick can be sustained. On the one hand, 800p must be regarded as the natural short-term level, having been arrived at through lengthy haggling with every conceivable buyer. But if the market moves decisively lower, holders may well reflect that since the advisers cannot support the 800p level for ever, it might be as well to beat the rush. Then again, a rise above 800p would soon run into unloading of loose stock. But fundamentally, Wellcome cannot be that expensive. Unusually, its forward multiple is now lower than Glaxo's.

UK market

The really depressing thing about yesterday's fall in UK equities is that it happened in isolation. In the previous week or so, London had responded along with other European bourses to anxiety about German interest rates. But yesterday continental equities went up, sterling opened stronger against the D-Mark and UK money market rates fell back. In addition, the Bank of Japan did its best by cutting the discount rate. The Wellcome issue was at least a qualified success and Wall Street opened higher. The FT-SE duly lost 29 points on the day.

The only rational explanation is that investors have become terminally gloomy about the UK corporate sector itself. Of the 100 stocks in the FT-SE, 17 now yield over 8 per cent, a level at which the security of the payment is being seriously questioned. The list covers oil, steel, food, building materials, aerospace, hotels, shipping, retailing, banking and insurance. All the companies involved are by definition big and relatively successful. There are, for example, no construction companies on the list. This is because there are no construction companies left in the FT-SE.

Today's quarterly survey from the Confederation of British Industry will scarcely lighten the mood. Then again, there is no obvious reason why it should worsen it. Not only was the survey heavily trailed over the weekend. It also appears only to repeat what the market knew already – that manufacturing industry, like the rest of the economy, has quite abandoned its fit of cheerfulness at the time of the election. The market now faces another hurdle in the form of the results season, starting this week with the banks and ICI. If the news is not in the price already, it must be bad indeed.

Pibs

The appetite of UK institutional investors for undated, fixed interest securities has proved astonishing. Building societies alone have raised over £500m by issuing permanent interest-bearing shares (Pibs) since this new form of regulatory capital was legislated into existence last June. Add issues of undated preference shares by the likes of NatWest, Barings and Commercial Union, and the UK financial sector has raised close to £1bn in permanent capital over the last year.

This prodigious rate is unlikely to be sustained. Among the big building societies, only Nationwide is still hovering. Sterling asset growth for both banks and building societies remains stunted by recession. Moreover, experience of illiquidity with other irredeemable instruments – such as subordinated floating rate notes issued by banks in the mid-1980s – should prove cautionary. Enough fund managers remain circumspect about the liquidity of Pibs and undated preference shares to place a natural limit on the capacity of the market. While retail appetite for income bonds has worked to the benefit of building societies as well as the government's national savings scheme, it is not sufficient to support the Pibs market on its own.

In retrospect, it is clear that the birth of the Pibs market coincided with a shift in institutional attitudes towards fixed interest securities. Few UK life companies are likely to match the 60 per cent weighting to sterling bonds now claimed by Scottish Amicable, but institutional inflows are certainly being channelled towards bonds. If this allows the UK financial system to top up on capital without recourse to the equity market, so much the better.

Japanese brewer buys UK chrysanthemum producer

By Philip Rawstorne

AFTER CARS and consumer electronics, Japanese enterprise has turned to a new international business – growing chrysanthemums.

Japan's national flower – symbol of the country's most exclusive order founded by Emperor Musto Hiti in 1877 – has been chosen for aggressive worldwide development.

Kirin, Japan's leading brewer, yesterday announced that it had bought Britain's biggest breeder and grower of chrysanthemums, Southern Glasshouse Produce (SGP), for £3.6m ($6.8m).

The brewer diversified into biotechnology about 10 years ago, and its researchers have been engaged in developing new varieties of vegetables and flowers as well as new pharmaceuticals.

Kirin is already established in Japan's flower markets, and since 1986 has been SGP's partner in a venture to breed new varieties of chrysanthemum.

The SGP group, a family-owned company based in Fareham, Hampshire and founded in 1958 by Mr Emrys Lloyd, a horticulturist, sells more than £4m of chrysanthemum cuttings and blooms a year.

It produces cuttings in the Canary Islands and the UK for chrysanthemum growers around the world, notably in Colombia, which grows a billion blooms a year for the US market, Japan, the Netherlands, Israel and New Zealand.

Blooms for the UK chrysanthemum market, worth an estimated £130m in retail sales, are grown under 100 acres of glass in Hampshire and Sussex.

Mr Barrie Machin, one of the world's leading chrysanthemum breeders, heads the group's research team. Its aim is to produce plants resistant to disease and low temperatures, with blooms of varied colours and petal arrangements.

Its successes include the spray chrysanthemum, known to the Japanese as edasaki kiku, which produces 5-10 flowers on one stem and has boosted the flower's popularity for domestic decoration.

Kirin's and SGP's breeding technologies will be combined to develop new varieties which will be marketed internationally. The flower is likely to move further from its more humble relatives, the corn marigold, feverfew and tansy.

However, Kirin is unlikely to pursue the ultimate technical goal: production of a blue chrysanthemum, which has so far evaded breeders.

Threat to trade deal

Continued from Page 1

tion on the US-Mexican border had led to environmental degradation and poor living conditions. But a properly drafted agreement could create jobs on both sides of the border and improve living conditions, he insisted.

Negotiators have worked hard in recent months to try to conclude a pact.

Congress last year voted to give the Bush Administration so-called "fast-track" negotiating authority for Nafta. This means the pact could not be amended as it made its way through the House and Senate. But Mr Gephardt said the changes he wanted could be written into the implementation legislation.

Mr Gary Edson, acting US trade representative, dismissed Mr Gephard's proposals. "The greatest cost for labour and environment in free trade would be the failure to achieve it," he said.

Famine stalks the forgotten Somalis

Continued from Page 1

woman in rags pulls out her withered breast, points to the wailing baby in her arms and puts her hand to her mouth, begging aid workers for food.

A mother shows the scarred hand of her child burnt because the boy was too hungry to wait for his high protein porridge to cool before he dug his hand in.

Most of the original inhabitants of Baidoa fled to Mogadishu during the height of the war. People whose livestock and grain stores were looted and destroyed by marauding soldiers take shelter in the bombed out buildings. Children are so exhausted by the long trek to town that they die in the ruined houses before they can reach a feeding centre.

Those that make it face an uncertain future in a town struggling to exist. The water and electricity plants were looted and destroyed by departing troops of former dictator Siad Barre. Water is now carried around the city in donkey drawn carts but it is seriously polluted by people washing and defecating near the town's spring.

In recent days, Mr Boutros Boutros Ghali, the United Nations' Egyptian secretary-general, angrily accused Security Council members of ignoring the Somalis' plight.

Meanwhile, in Baidoa's only hospital nurses try to force open the teeth of an infant to force-feed it a rehydration formula. "This one isn't going to make it," says a doctor.

The hospital, treating infected bullet wounds as well as children in the final throes of malnutrition, is desperately short of IV fluids, antibiotics, oral rehydration salts and glucose.

Relief workers believe the tragedy could be stopped from escalating if the world turned its attention to the suffering. If much greater quantities of food and medicine are not airlifted urgently to towns like Baidoa, tens of thousands of starving people will attempt the long and desperate walk to Mogadishu with fatal results.

World Weather

		°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Boulogne	S	19	66	Frankfurt	F	30	86
Algiers	F	29	84	Brussels	S	24	75	Geneva	F	22	72
Amsterdam	S	23	73	Budapest	S	31	88	Gibraltar	F	25	77
Athens	C	29	84	Buenos Aires	R	11	51	Glasgow	C	18	64
Bahrain	S	38	100	Cairo	S	33	91	Helsinki	F	21	70
Bangkok	R	31	88	Cape Town	S	15	59	Hong Kong		-	-
Barcelona	S	26	79	Caracas	R	27	81	Innsbruck	F	23	73
Beijing	R	29	84	Casablanca †	F	31	88	Inverness	F	17	63
Beirut	F	28	82	Chicago †	F	18	64	Islamabad	C	36	95
Belfast	R	17	63	Cologne	S	24	75	Istanbul	F	27	81
Belgrade	F	31	88	Copenhagen	S	22	72	Jakarta	C	33	91
Berlin	S	24	75	Corfu	S	34	93	Johannesburg	S	19	66
Biarritz	S	28	82	Dallas †	F	26	79	Lisbon	S	24	75
Bombay	F	30	86	Dublin	R	18	64	London	R	21	70
Bordeaux	S	27	81	Dubrovnik		-	-	Los Angeles †	C	18	64
				Edinburgh	F	20	68	Luxembourg	S	24	75
				Faro	S	29	84	Madeira	C	23	73
				Florence	S	32	90	Madrid	S	31	88

		°C	°F			°C	°F			°C	°F
Majorca	S	29	84	Oporto	S	23	73	Tenerife	S	25	77
Malaga	S	27	81	Oslo	F	22	72	Tokyo	S	34	93
Malta	S	29	84	Paris	S	26	79	Toronto †	F	15	59
Manila	C	32	90	Prague	F	29	84	Tunis	S	33	91
Melbourne	S	11	52	Reykjavik	S	13	55	Valencia	S	34	93
Mexico City	R	25	77	Rhodes	S	28	82	Venice	S	31	88
Miami †	S	28	82	Rio de Janeiro	F	23	74	Vienna	S	27	81
Milan	S	32	90	Rome	S	29	84	Warsaw	S	27	81
Montreal †	C	20	68	Salzburg	S	29	84	Washington †	R	24	75
Moscow	F	26	79	S'Francisco †	S	13	55	Zurich	S	27	81
Munich	F	23	73	Seoul	Dr	25	77				
Nairobi	C	22	72	Singapore	F	30	86				
Naples	S	31	88	Stockholm	F	23	73				
Nassau	C	32	89	Strasbourg	F	30	86				
New Delhi		-	-	Sydney	S	15	59				
New York †	S	22	72	Taipei	F	34	93				
Nice	S	28	82	Tangier	S	23	73				
Nicosia	S	30	86	Tel Aviv	S	30	86				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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Tuesday July 28 1992

INSIDE

Norsk Hydro results below expectations

Norsk Hydro, Norway's biggest listed company, yesterday reported a NKr214m ($36.6m) fall in half-year net income to NKr788m, in spite of gains on foreign currency and from the sale of securities. Its performance was well below market expectations.
Uni Storebrand, Norway's biggest insurer, has posed more questions about its future than provided answers following the surprise appointment of Mr Per Terje Vold as interim president after the departure of Mr Jan Erik Langangen, president and chief executive.
Page 17

Milan in the doldrums

The killing in Palermo of a second, leading anti-Mafia judge in as many months and the Italian state's clumsy handling of the liquidation of the state holding company Efim triggered an 8 per cent decline in the debilitated Milan stock market last week, taking its fall since the start of 1992 to 18.9 per cent.
Back Page

Capital news from the SEC

The Securities and Exchange Commission is expected to rubber stamp proposals today making it easier and less expensive for small US companies to raise equity and debt capital. The agency is keen to see the proposals, unveiled in March, introduced quickly because it is concerned about the credit crunch facing small companies in need of capital. **Page 16**

Bullough falls 18%

Bullough, the UK office products and refrigeration group fell 18 per cent, blaming the prolonged and deepening recession in the UK and France. For the six months to April 30, pre-tax profits fell from £7.1m to £5.8m ($11m) on sales of £132.7m, down from £141.4m. Mr Derrick Battle, chairman, warned that profits for the full year would be lower than the £20.8m achieved last year. **Page 19**

Ghana goes for gold revival

A $165m syndicated loan is being finalised that should enable Ashanti Goldfields of Ghana to expand production and join the relatively exclusive band of companies that each produce more than 1m troy ounces of gold a year. Ashanti's production boost is part of a gold mining renaissance in Ghana since a new Minerals Code was enacted in 1986. **Page 22**

Treuhand names bidders

The Treuhand agency, the body handling eastern German privatisations, said two large European groups were contending to take over one of the largest chemicals operations in the region. **Page 17**

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch	775	+	10
Asko	765	+	20
Bilf & Berger	920	+	10
Falls			
AG Ind & Vark	615	−	20
Holzmann Ph	1010	−	10
Rheinmetall Bin	270	−	12.5
NEW YORK ($)			
Rises			
Clevited	4⅛	+	⅜
IMC Fertiliser	41	+	1⅞
Johnson & Jon	47⅛	+	1
Merck	50⅞	+	⅞
Stanhome	32¾	+	2½
Falls			
Novell	52	−	2
PARIS (FFr)			
Rises			
Air Liquide	750	+	19
LONDON (Pence)			
Rises			
Fyffes	80	+	4
Lasmo	132	+	15
Magnetic Matls	61	+	7
Nu-Swift	393	+	10
RPS	32	+	2
Suter	98	+	3
Falls			
AMEC	84	−	6
Amstrad	28	−	2½
Bullough	114	−	21
Clifford Fds A	123	−	25
Devenish (JA)	230	−	11
Friendley Hils	120	−	23

Audi Entrepr	600	+	20
Cogifi	295	+	13
Fonc Lyonnaise	580	+	28
Interiechnique	720	+	50
Falls			
Pollet	480	−	35
TOKYO (Yen)			
Rises			
Lec	13	+	2
Tachikawa	2400	+	220
Falls			
Daikyo	544	−	77
Nippon Carbon	410	−	40
Nippon Foil Mfg	270	−	25
Tokyo Bakotench	450	−	50
Harrisons & Cr	122	−	4
Inchcape	380	−	12
Lloyds Chems	211	−	16
London Intl	171	−	10
Merrydown Wine	353	−	25
Proteus Intl	301	−	24
Reed Intl	474	−	23
Reuters	986	−	28
TI Group	293	−	13
Trafalgar Hse	57	−	5
Wellcome	800½	−	25½
YRM	56	−	8

Dasa joins race for BAe space unit

By Daniel Green in London

DEUTSCHE AEROSPACE (Dasa), a subsidiary of Daimler-Benz, Germany's largest industrial group, said yesterday it had joined the race to buy British Aerospace's loss-making satellite business.

The news is a blow to GEC, whose joint venture with Matra of France, Matra-Marconi, has been in talks with BAe since last year to acquire the space division. BAe and Matra-Marconi are long-standing partners in the space industry and their talks were close to completion.

It appears they planned to announce the joining of their space businesses at the Farnborough air show in September. Senior executives at Matra-Marconi said yesterday Dasa's entry had delayed its merger plans indefinitely.

"The timing does not now depend on us, it depends on British Aerospace," said Matra-Marconi. "Dasa has made an offer, but we don't know what the decision is."

British Aerospace confirmed it was in talks over the future of its space business but would not say with whom. It said the unit was not up for sale, but it wanted a partnership or joint venture.

However, Dasa said: "British Aerospace is selling the division entirely. We are looking at what they have to offer."

BAe makes satellites, their components and ground control equipment, but the operation is small by world standards. BAe does not reveal sales figures for its space business, but Dasa put the figure at about £150m ($286.5m) a year.

It has received no new satellite orders since last year and last month it halved its satellite-making capacity with the loss of up to 640 jobs. It blamed the loss of an order for a Japanese satellite.

But, it emerged yesterday, the industry interpreted that move as preparing the company for disposal. By cutting costs, the satellite business would be more attractive to a potential partner or buyer.

If Dasa secured the BAe arm, it would probably merge it with Space Systems/Loral of the US, in which it has a 12 per cent stake.

Dasa paid £57m for the Space Systems/Loral stake last month to join other European shareholders Alcatel and Aerospatiale of France and Alenia of Italy. The company is controlled by Loral, the US defence contractor.

Dasa is also considering the future of the space activities of Fokker, the Dutch aircraft maker it agreed to take control of last week. Fokker makes control and power equipment for satellites, but the business is small, Fokker said yesterday.

BAe faces increasing competition in a $1bn a year industry dominated by US suppliers.

Goodyear reports record net income

By John Griffiths in London

GOODYEAR Tire & Rubber, the only surviving large US-owned tyre company, signalled an end to the recession that has gripped the industry for the past two years by reporting record second quarter net income of $109.7m, or $1.54 per share, on sales of $3.1bn.

The figure for Goodyear compares with net income of $22.5m, or 38 cents per share in the 1991 period. It lifted profits for the first half of the year to another record $176m, or $2.48 per share, on sales of $5.6bn.

Mr Stanley Gault, chairman, attributed the improved results to new marketing strategies, production efficiencies, improved cost controls and lower raw material costs. The former GEC senior executive, who has just completed his first year in office, is widely credited with masterminding a "cultural revolution" by transforming work practices.

Mr Gault said Goodyear had increased its share of the US replacement tyre market, while benefiting from a slow but steady increase in US vehicle production.

The tyre industry – which has a $53bn annual turnover – made $1bn collective losses in the past two years but could earn profits exceeding $1.5bn next year, according to a study by the Economist Intelligence Unit.

Excluding sale proceeds and charges associated with continuing restructuring of Goodyear's global operations – it employs 97,000 worldwide – the company's operating margin improved to 10.1 per cent in the second quarter from 7.2 per cent a year earlier, and to 9.2 per cent in the half-year, up from 6.2 in the year-ago period.

Consolidated debt has fallen to $2.5bn from $3.7bn in the first quarter of last year, reducing Goodyear's debt to debt-plus-equity ratio to 46.4 per cent from 66.1 per cent a year earlier.

The second quarter figures include an after-tax gain of $8.3m, or 12 cents a share, from restructuring.

Tyre and related sales rose to $2.5bn in the quarter from $2.3bn a year ago, and to $4.8bn for the half year, up from $4.3bn. Operating income was $231m ($157.7m) for the quarter and $417.6m ($220.5m) for the first half. Worldwide unit tyre sales rose 13.3 per cent in the half.

In New York, Goodyear shares rose $⅞ to $63⅞ in early trading but closed at $62⅝, down $⅝.

Wellcome share sale a windfall for research

By Clive Cookson, Science Editor

The Wellcome Trust will double its spending on medical research by reinvesting the £2.16bn ($4.1bn) raised from the Wellcome share sale in higher yielding securities. The extra income could support up to 2,000 additional scientists and support staff, working mainly in the UK.

The trust's projected income for next year – £220m – will match that of the UK government-funded Medical Research Council.

"The Wellcome Trust intends to fund more scientists for the long term, including whole careers," said Dr Bridget Ogilvie, its director. "It will offer better working conditions, with support for new centres of scientific excellence and funding for whole teams of researchers and technicians together with the latest equipment."

To celebrate the success of the sale, the trust announced a series of spending initiatives yesterday. They include a £50m contribution over five years to a new genetic research institute. It will house 300 scientists and technicians, working under the direction of Dr John Sulston as part of an international effort to decode all 100,000 human genes. (The institute's name has been decided – it will be called the Sanger Centre after Dr Fred Sanger, winner of two Nobel Prizes – but its location is still under discussion.)

The trust also showed that, with its new financial strength, it will be able occasionally to reverse the brain drain. It announced a £3m grant to bring a leading US immunology research team to the UK. Prof Douglas Fearon and six colleagues will move from Johns Hopkins University in Baltimore to Cambridge University.

Dr Ogilvie said the trust was spending £50m to renovate its London headquarters, originally built in the 1930s. Trust officials were previously reluctant to disclose the cost of the refurbishment for fear of provoking calls from scientists that the money would be spent better on research. The building, which is due to re-open early next year, will contain a new Centre for Medical Science and History.

Dr Ogilvie said Sir Henry Wellcome (1853-1936), the trust's founder, "was the showman of his age. He would have been thrilled to bits to see his building used in the way he had intended." The trust will hold meetings with universities and medical charities later this year to plan its expansion in more detail.

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Taking a leaf out of book-building

Sale's success owed much to method of judging demand, writes Maggie Urry

The global sale of shares in Wellcome must be considered a success, even a remarkable one.

For Wellcome Trust to raise £2.1bn ($4bn) when the London market has fallen 13 per cent and the Japanese market 18 per cent over the past three months, is a notable achievement. The value of the Wellcome shares sold to the US alone exceeds $1bn putting it among the top 10 share offerings recorded there.

It is undoubtedly the case that a £2bn-plus issue – the largest non-privatisation share sale ever – could not have been done using a traditional UK format. Three weeks ago a £2bn deal could not have been underwritten, or at least not at a price approaching the 800p finally set.

Institutions will never forget the disaster of the £7.2bn BP sale in 1987, where the price was fixed and sub-underwriters signed up two working days before the stock market crash.

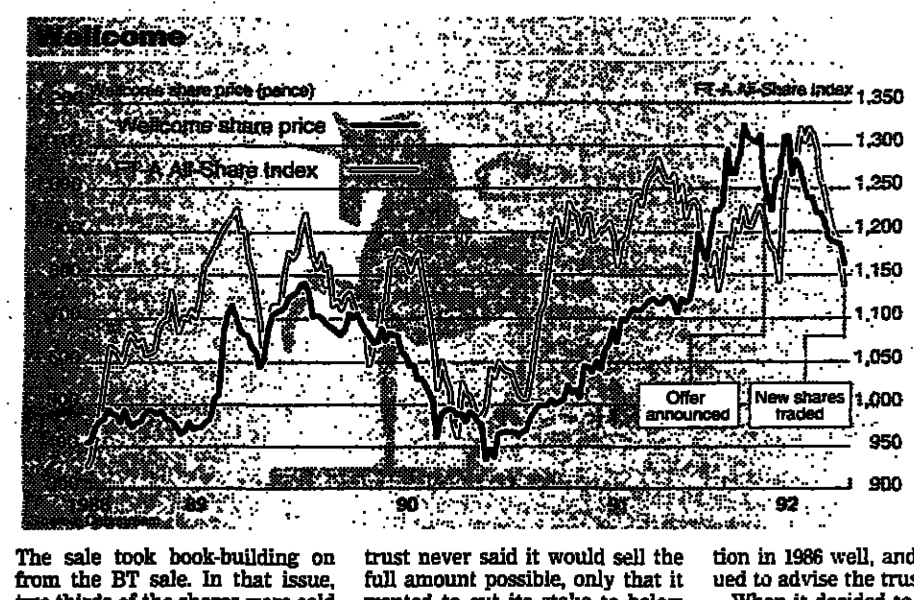
The Wellcome sale is thus also a triumph for the book-building method used to determine the level of demand for the shares at various prices.

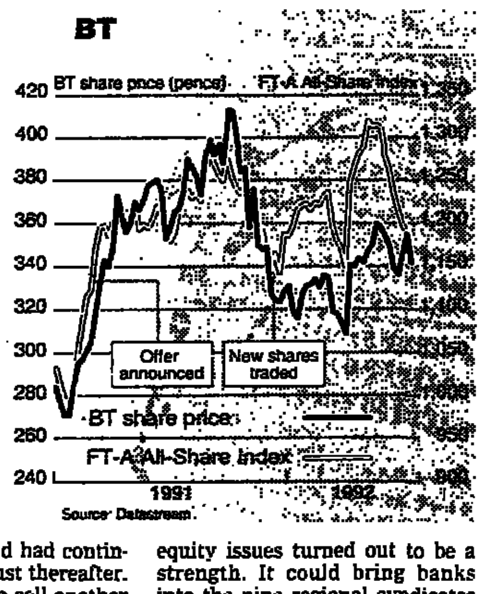
Formal book-building has been in common use outside the UK and practised informally in London, but it only made its UK debut in the £5.4bn BT sale last December when the government sold its remaining 49 per cent stake in the company.

Mr Lawrence Banks, head of corporate finance at Robert Fleming, the bank which ran the global tender offer, said the success of the book-building method was not limited to a bull market – it proved an even better tool in a poor market.

Every day the bank could see how the selling efforts were proceeding and act accordingly. For example, last Thursday, the day before the tender closed, the deal was under great pressure. The trust announced it would not sell shares below 800p, a move which focused investors' minds on where to pitch their bids.

Finally, Fleming's computer could draw a price/demand curve showing how many shares could be sold at various levels, enabling the trust to decide whether to sell fewer shares at a higher price or more at a lower one.

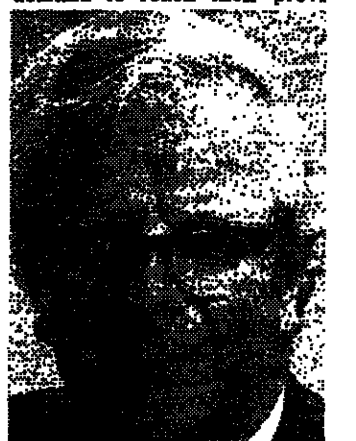




The sale took book-building on from the BT sale. In that issue, two-thirds of the shares were sold to retail investors through a relatively normal offer for sale, although the price was set by the institutional tender.

Fleming prepared a level playing field across the world, with near total flexibility on how shares could be allocated to different syndicates.

While the UK and US syndicates found more than enough demand to reach their provisional allotments, interest in some areas was weak. In the end less than 1m shares were sold into Canada, while Germany and France also produced a lower than expected response.



Roger Gibbs

Critics may carp that the trust had originally hoped to raise £4bn or more by reducing its stake in the pharmaceutical company to 25 per cent and that the outcome therefore represents a flop.

However, Mr Roger Gibbs, chairman of the trust, said the trust never said it would sell the full amount possible, only that it wanted to cut its stake to below 50 per cent. It has achieved that, reducing its holding to 42 per cent.

In June the size of the sale was indicated at 330m. To the extent that only 270m shares have been sold, the outcome is worse than hoped. There were bids for 360m shares, even though the possibility at lunchtime on Friday of hostilities breaking out in Iraq put a damper on the final day, Mr Gibbs believes.

The price of 800p is a disappointment. "Of course we would have liked to have got a higher price. But in these markets it was not practicable," said Mr Gibbs.

And, he points out, since the trust sold its first 25 per cent tranche in 1986 at 120p the company's share price has exceeded 800p for only the past eight months.

When the share price reached its high early this year the historic p/e ratio was approaching an exaggerated 40. On these measures, the sale price is still a good one.

But for the market's fall over the last week of the tender period, Mr Gibbs reckons the issue price could have been 30p higher. And without the activities of short sellers – who drove the price down and profited by buying back at lower levels – another 30p could have been added.

Mr Gibbs is generous in his praise of the banks and brokers who worked on the sale. Eyebrows were raised when Fleming was first appointed to run the sale.

"Fleming was considered to be a most extraordinary choice," admitted Mr Gibbs. He said Fleming handled the Wellcome flotation in 1986 well, and had continued to advise the trust thereafter.

When it decided to sell another tranche of shares, Mr Gibbs said, the trust drew up a list of 15 to 20 possibles. The trustees decided it would appoint Fleming when the bank convinced them it could handle the book-building exercise.

Fleming, which in terms of its profits is one of the top UK merchant banks, believes its lack of a high profile in international equity issues turned out to be a strength. It could bring banks into the nine regional syndicates without the usual jealousies.

Mr Ian Hannam, the man who Fleming appointed to head the book-building team, said Fleming could take a tough line with syndicate members where necessary because it was not looking for repeat business. But after the success of the Wellcome issue it may find it gets more to do anyway.

Report queries Richmond flotation

By Peggy Hollinger in London

INVESTORS in Richmond Oil and Gas, which has seen its shares plummet from a peak of 173p to last night's 6p, may have been misled in the weeks following the company's 1989 flotation, according to a preliminary report by Price Waterhouse.

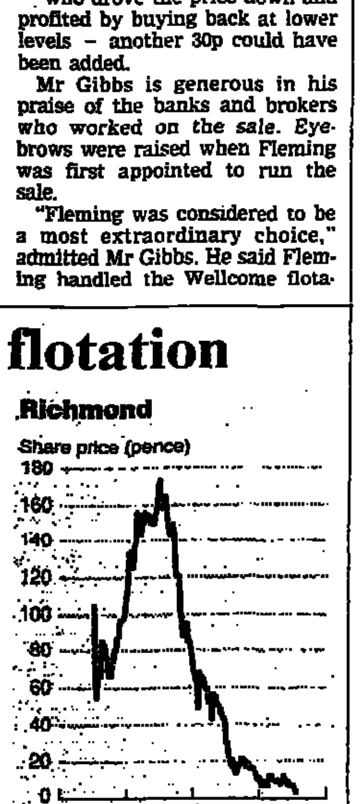
The report, commissioned by authorities in Jersey pursuing a local complaint, has sparked a Serious Fraud Office investigation into the company's share dealings.

In the course of its investigation, Price Waterhouse has discovered what appears to be evidence of a "circle of funds". The accountancy firm suggests this gave the impression that the sub-underwriting for Richmond's offer was fully financed.

According to Price Waterhouse, various amounts of money totalling £16m ($31m) were pumped repeatedly around the circle via three bank accounts in the 10 days after the flotation's closing date. The circle appears to have been "kick-started" with funds client accounts at Bryant & Co, a Jersey accountant.

Richmond was floated at 105p in July 1989, for a value of £68m. Only 12.2 per cent of the shares were taken up, and they closed at 62p on the first day.

Details, Page 20



Indocement soars 23% to Rp138bn

By William Keeling in Jakarta

INDOCEMENT, Indonesia's dominant cement producer, yesterday announced net profits of Rp138bn ($67.8m) for the first half to June, up 23 per cent on the year-earlier period.

Sales tonnage for the six months to June reached 4.37m, up 31 per cent. Indocement has a total capacity of 9.4m tonnes per year, equivalent to 52 per cent of national capacity.

The company, which achieved operating margins of 43.3 per cent in the period, forecasts net profits for the year of Rp326bn, including contributions from acquisitions announced last month of food and property interests totalling Rp1,720bn.

Indocement is to hold an extraordinary meeting today to approve the purchases. Some brokers are concerned that the acquisitions are non-quoted companies from the Salim Group. The group, of which Indocement is part, is a loose collection of companies in which Mr Soedono Salim, reputedly Indonesia's richest person, is a leading shareholder.

Morgan Grenfell (Asia), in a letter supporting the proposed acquisitions and contained in a circular to shareholders, has expressed its preference "for a more prudent financing structure" for the acquisitions.

The acquisitions are to be financed from Rp400bn of Indocement's cash, $300m in promissory notes and up to Rp800bn from a Bank Central Asia (BCA) facility. BCA is also part of the Salim Group.

Indocement's net gearing will rise from 11 per cent prior to the acquisitions to 127 per cent. Brokers are concerned that the company, which is trading at 34 times earnings, may make a rights issue, although Indocement denies plans to issue new equity.

● Mr Liem Sioe Liong, the leading Indonesian-Chinese businessman, has been appointed deputy chairman and director of Singapore Land, one of Singapore's main property companies, Kieran Cooke reports. It is believed to be the first time Mr Liem has agreed to any public management role in Singapore.

Last year Mr Liem's Singapore registered KMP private company bought a controlling stake in United Industrial Corp (UIC), Singapore Land's parent company. The United Overseas Bank, one of Singapore's four big banks, is also a shareholder in UIC.

Australian mines cut holdings in Pasminco

By Kevin Brown in Sydney

NORTH Broken Hill Peko (North) and CRA, the Australian mining groups, yesterday announced the partial unwinding of their aggregate 80.6 per cent shareholding in Pasminco, the lead and zinc group.

Pasminco also warned its net loss for the year to end-June will be higher than the 1990/91 net loss of A$47m (US$35.3m), in spite of significant cost savings.

North and CRA said they would reduce their 40.3 per cent shareholdings in Pasminco to 20 per cent and 31 per cent respectively. Both said they would maintain shareholdings of at least 19.9 per cent for two years.

The shares were placed with brokers in London and Australia at A$1.33 a share, compared with Friday's closing price of A$1.56. The sales will yield a book profit of A$195m for North and A$89m for CRA.

North and CRA said they would jointly provide a subordinated shareholder loan facility of A$100m to relieve pressure on Pasminco to strengthen its balance sheet by disposing of assets. The share sales signal the end of the joint commitment to Pasminco by North and CRA, which formed the company in 1988 by merging their lead and zinc mining and smelting interests.

However, CRA indicated it may move to take control of Pasminco at a later date. The group said it had reduced its shareholding to 31 per cent only to avoid being required to consolidate Pasminco into its group accounts.

Pasminco's profit warning follows a net loss of A$34m for the six months to December, which increased to A$118m after redundancy costs of more than A$2m and a write off of A$81m on the Elura mine in New South Wales.

In its fourth-quarter production report, Pasminco said it continued to operate at a loss in the second half, although the loss was primarily caused by depressed metals prices in the first three quarters.

The group said the bottom line loss for the full year would include a A$12.5m settlement with the Australian Taxation Office, which will be treated as an abnormal item.

Pasminco said production of refined lead and zinc rose 3 per cent over the year, exceeding the record production achieved in 1990/91. But mine production was lower, largely on a fall in activity at Elura.

The group said it was still trying to sell Elura and its smelter and alloying plant in the UK, as part of a debt reduction programme. But it said the sales would be deferred if "the present difficult market conditions" made it impossible to achieve sales at acceptable prices.

Boeing warns on income as aircraft deliveries slip

By Martin Dickson in New York

BOEING, the world's leading manufacturer of commercial aircraft, yesterday reported flat second-quarter earnings and predicted lower income in the second half of 1992, due to a drop in aircraft deliveries and high development spending on its new 777 airliner.

The Seattle-based company reported earnings of $453m, or $1.33 a share, compared with $454m, or $1.32 a share, in the same period of last year.

Sales totalled $7.82bn, compared with $7.81bn, while R&D spending was $455m, up from $338m. Both these results and the full-year forecasts were broadly in line with market expectations.

The company noted that although the second-quarter figures were little changed from last year, the latest period included a significantly higher level of R&D expense, offset by improved cost performance.

Boeing's forecast second-half dip in earnings is due in part to the soft aircraft market, which means it is cutting its production of 737 jets from 21 to 14 a month. In addition, 34 of the 61 747 jumbo jets due for delivery this year were handed over to customers in the first half.

Yet despite warnings from aircraft industry pessimists, Boeing's firm backlog of orders has been holding up and totalled $91.9bn at the end of June, compared with $92.8bn at the end of December.

The company said reduced second-half deliveries, together with high R&D expenses, would result in lower second-half sales and earnings, although it was still forecasting 1992 revenues of $29.5bn and R&D spending for the year of around $1.8bn. Cash flow would be negative for the balance of the year.

For the first six months, Boeing reported net earnings of $894m, or $2.62 a share, on sales of $15.8bn, compared with earnings of $763m, or $2.22 a share, on sales of $13.9bn in the same period of last year.

NY Daily News battle intensifies

By Alan Friedman in New York

THE TWO rival offers for The Daily News, the New York tabloid acquired in March 1991 by the late Mr Robert Maxwell, will be the subject of a fresh round of discussions this week, amid signs that the battle is intensifying.

Mr Conrad Black, the Canadian publisher who owns The Daily Telegraph in London, will be in New York today for negotiations with trade union leaders, creditors and the newspaper's management.

Mr Mortimer Zuckerman, the New York-based owner of US News and World Report magazine and The Atlantic Monthly, will also hold talks today with members of the Daily News creditors' committee. Mr Zuckerman has met previously with union leaders as well as members of the newspaper's management.

Conrad Black: in New York today for negotiations

A New York bankruptcy court recently extended until the end of this month the deadline by which The Daily News must file a reorganisation plan under Chapter 11 of the US bankruptcy code. The newspaper filed for Chapter 11 protection from creditors last December.

The July 31 court deadline could be extended once more, if, as expected, the complex negotiations drag on.

Although no clear favourite has emerged from the talks, Mr Zuckerman is understood to have presented himself to union leaders as the more New York-oriented and hands-on of the two prospective bidders. Securing the support of the 12 unions involved will be crucial in winning control of the newspaper.

"We are continuing our negotiations and we intend to meet the creditors," Mr Zuckerman said yesterday.

He stressed that key decisions by the various parties had not yet been made.

Chevron earnings fall 9% while revenues improve

By Karen Zagor in New York

CHEVRON, the US oil and gas group, yesterday posted a 9 per cent decline in reported net income to $350m on revenues of $10.6bn, compared with income of $384m on revenues of $9.7bn the previous year.

Earnings were muddied by a number of special items which reduced income by $39m in the latest quarter. A year earlier, Chevron had extraordinary gains of $120m.

The company said its underlying net income rose 47 per cent in the latest quarter, reflecting stronger crude oil prices and a sharp drop in operating expenses.

Earnings per share eased 5.5 per cent to $1.03 from $1.09.

Chevron is still feeling the impact of a significant restructuring programme. During the second quarter, Chevron recorded employee severance and relocation provisions of $92m after tax, which was partly offset by favourable previous-year income tax and other adjustment and asset sales gains.

Earnings were lifted by an improvement in average crude oil prices to $17.17 a barrel in the quarter from $16.80 last year. In addition, natural gas prices rose about 11 per cent to $1.47 per thousand cu ft. Operating expenses declined by more than $1-a-barrel.

Domestic exploration and production brought in earnings of $123m in the quarter, compared with $70 a year ago.

International exploration and production earnings fell to $172m from $213m. Last year's figures included gains of $80m from asset sales and favourable tax adjustments. Chevron benefited from foreign exchange gains in the latest quarter, which brought in $64m, compared with a loss of $16m from foreign currency translations a year earlier.

Chevron noted that US sales margins remained low in the latest quarter.

Inco dips into red on low metal prices

By Robert Gibbens in Montreal

LOWER prices for nickel and precious metals and lower deliveries offset improvements in Inco's cost performance in the second quarter and first half of 1992, leading to losses after preferred dividends.

The western world's biggest nickel producer posted second-quarter net losses of US$1.5m or 3 cents a share, against profits of $30.3m or 28 cents a share a year earlier. Revenues were $666m against $803m.

The first half showed net profits of $700,000, equal after preferred dividends to a loss of 2 cents per common share. A year earlier Inco posted net profits of $83.9m or 78 cents a share.

Realised nickel price averaged $3.48 per lb in the second quarter and $3.53 per lb in the first half, compared with $3.97 and $3.96 in the corresponding periods of 1991.

US aims to beat the credit crunch

Patrick Harverson on measures to help small companies raise capital

The Securities and Exchange Commission is expected to rubber stamp proposals today making it easier and less expensive for small US companies to raise equity and debt capital.

The agency is keen to see the proposals, which were unveiled in March, introduced quickly because it is concerned about the credit crunch facing small companies in need of capital.

Although the US economy is officially out of recession, business activity is advancing at a snail's pace, and the country's lenders have remained cautious about extending credit to high-risk borrowers. So cautious, in fact, that small companies have found their regular sources of capital – banks, insurance companies, venture capitalists and regional securities firms – all but drying up in the past year.

The banks have been reluctant to lend because the recession and problem loans have forced them to tighten their credit standards, leaving many young companies, which have not got an earnings track record, out in the cold.

There has been a similar retrenchment by insurance companies and venture capitalists which are shying away from high-risk lending. Regional securities firms, which were regular underwriters of small businesses, have raised fees to levels many young companies cannot afford.

Against this background, the SEC decided it had to help – the result was the measures due to be approved today.

The most interesting proposal will allow small companies to gauge the market's mood before committing themselves to the cost and time of registering and launching a stock or bond issue.

At the moment, companies of any size cannot solicit general interest in their securities without registering their plans with the SEC. Under the proposal, a small company will be able to get lists of likely investors and send them – and the SEC – letters or brochures introducing the company and outlining its plans.

If the company receives enough of a response, it can begin registering and eventually issuing the securities. If the response from investors is tepid, the company can drop the offering, without having incurred too many unnecessary costs.

The SEC also plans to increase the limits on how much small companies can raise in the markets without being liable for full reporting requirements. To ease those reporting burdens, the SEC will allow small companies to file less detailed, and thus less costly, quarterly and annual reports.

Finally, the SEC will make it easier for mutual funds to invest more money in small companies.

The SEC's initiative has been applauded by advocacy groups for small companies. They see the measures as welcome support in a system where their interests are often overlooked by a regulatory community and government that focus their attention on the needs of big business.

While the SEC plans to ease the burdens on seeking new capital, small companies have found another ally from an unlikely source: the American Stock Exchange (Amex). It now allows small companies to list their shares on its auction-based stock market.

Investor groups and some state regulators are concerned that investor protection may be sacrificed for easier capital formation

In April the Amex launched its Emerging Company Marketplace (ECM), an "incubator market" for companies with market values of less than $2.5m and therefore too small to meet listing standards.

The ECM not only gives small companies access to equity capital, but also confers upon them, via the Amex listing and regulatory cover, a legitimacy that raises their profile in the financial community. For Amex, the ECM allows it to compete for new listings against other markets and compensates for stocks lost to bigger rivals like the New York Stock Exchange.

For many small companies, the only alternative to the ECM is either the electronic Nasdaq market or the "pink sheets", where stocks are traded over-the-counter (OTC). However, in these markets investors are sometimes deterred by wide spreads and, in the case of the pink sheets, by inadequate regulatory protection.

By enabling small companies to list on the ECM, Amex believes it provides them with a more efficient place to trade and a broader following among investors.

Many of the 25 companies listed on the ECM are exactly the type that would have difficulty raising funds elsewhere – innovative companies in high-technology businesses which must invest in research and development before producing a regular stream of revenues.

Amex says ECM listed companies have fared well so far. It claims that during its first three months ECM stocks performed on average 17 per cent better than the main Nasdaq index, and spreads narrowed dramatically compared with Nasdaq, because there were no market makers taking a chunk out of the difference between the buy and sell prices.

However, these SEC and Amex initiatives have not escaped criticism. Investor groups and some state regulators are concerned that investor protection may have been sacrificed for easier capital formation.

There have been many examples over the years of investors being defrauded when investing in small, new companies which do not disclose full details of their businesses. Critics worry that the SEC proposals and Amex's incubator market leave investors exposed to unscrupulous or badly run companies.

Countering such criticism, the SEC says the proposed measures will not undermine high standards of investor protection, while the Amex points out that ECM listed companies are closely watched and some of its supervision – of big shareholders in ECM stocks, for example – has been tightened.

INTERNATIONAL COMPANIES AND FINANCE

Norsk Hydro tumbles to NKr788m

By Karen Fossli in Oslo

NORSK HYDRO, Norway's biggest listed company, yesterday reported a NKr214m drop in half-year net income to NKr788m ($133.61m), despite gains on foreign currency and from the sale of securities.

Its performance was well below market expectations.

Second-quarter net income, however, rose by nearly NKr200m to NKr587m. The group said: "The second-quarter earnings benefited from a positive effect of changes in currency rates, primarily the fall in the dollar and gains from the sale of securities." It recorded a second-quarter foreign currency gain of NKr468m, against a loss of NKr322m last time.

Second-quarter net financial income was NKr374m, compared with a net financial expense of NKr619m in last year's second quarter.

Hydro also made a second-quarter NKr213m gain from the sale of non-voting shares in Saga Petroleum, Norway's biggest independent oil company, but bought a similar number of voting shares. The company owns 12.3 per cent of Saga's total share capital.

Second-quarter group operating income slid by NKr336m to NKr810m, while operating revenue dropped by NKr298m to NKr15.386bn.

At the half-year, group operating income was NKr1.1bn weaker at NKr1.85bn as operating revenue fell by NKr563m to NKr31.34bn.

Mr Egil Myklebust, president, said results were still affected by the weak international economic situation, but "we have seen some price increases for light metals and petrochemical products during the first half of the year".

He pledged that cost-cutting would continue with the aim of reducing costs by at least NKr1.5bn within two years.

Mr Myklebust said some benefits of restructuring the group's fertiliser business were already apparent, but he warned that the unit faced a falling west European market and low-priced imports from eastern European countries.

The agriculture division saw second-quarter operating income tumble to NKr9m from NKr338m last year as half-year operating income plunged to NKr204m from NKr864m.

Second-quarter operating income for the oil and gas division was up NKr63m to NKr722m, helped by a 200m tonnes of oil equivalent rise in oil/gas production and slightly higher oil prices. At the half-year mark, the division saw operating income increase by NKr36m to NKr1.460bn. Second-quarter operating revenue rose NKr27m to NKr3.35bn but by NKr47m to NKr6.66bn in the first six months.

Dow Corning's earnings fall

By Karen Zagor in New York

DOW Corning, the 50-50 joint venture between Dow Chemical and Corning, yesterday reported a 19 per cent drop in underlying second-quarter net income to $36m on sales that rose 5.7 per cent to $488.4m.

A large one-time charge related to the company's silicone breast implant business depressed the company's reported net earnings even further, contributing to an 84 per cent decline to $6.3m.

In the 1991 second quarter, Dow Corning had net income of $40.5m on sales of $462.1m.

The results had little impact on Dow Chemical and Corning's shares, which respectively eased $¼ to $54¾ and held steady at $36¼ at midday.

Mr Edward Steinhoff, Dow Corning's chief financial officer, said operating profits fell on the back of slower than expected growth. "Our sales grew, although we didn't achieve the price increases we needed."

Questions over Uni's future

By Karen Fossli

Mr Bjoern Wolrath, Skandia's president, said Skandia had proposed to Uni Storebrand that it undertake its capital increase that would be combined with an option to buy Uni Storebrand's 28 per cent stake in the Swedish insurer.

Mr Wolrath suggested this option would create an opportunity for Uni to dispose of its Skandia shareholding. He said the option could expire in 1993 or 1994.

THE surprise exit of Mr Jan Erik Langangen, president and chief executive of Uni Storebrand, Norway's biggest insurer, and the appointment of Mr Per Terje Vold as interim president has provided more questions over the company's future than answers.

Uni Storebrand's board appointed Mr Vold to succeed Mr Langangen but also tendered its own resignation. Uni's nominating committee is due to meet soon and is expected to accept the resignation.

Mr Langangen's departure was the result of pressure from disgruntled shareholders who had grown increasingly dissatisfied with his handling of the company's stake in Skandia, the Swedish insurer, for which he had ambitious plans.

Uni paid NKr4.7bn ($798m) for a 28.3 per cent limited-voting stake in Skandia. Uni's Skandia investment this year has plunged in value by about NKr2.5bn, together with Uni's share price which has been halved to about NKr25 since the turn of the year.

The board's resignation is a condition of the participation a group of key shareholders in a Uni share issue which would allow the company to meet capital adequacy requirements.

Mr Langangen was seeking to make Skandia the cornerstone of his vision for a Nordic insurance alliance, although Uni's stake in the company held limited voting rights.

Stonewalled by Mr Bjoern Wolrath, Skandia's president, Mr Langangen was left with a large shareholding without the necessary clout to influence the future of Skandia. He was counting on his company's key shareholders to guarantee a capital expansion of NKr1.5bn-NKr2bn. Failing to win their backing, Mr Langangen resigned and the board tendered its resignation.

Fresh capital would also allow Uni to retain the Skandia stake for at least a year without pressure to sell. It could then dispose of the stake without a significant loss.

Uni's board is due to meet tomorrow to map out a plan for the capital expansion which Mr Vold says is his first order of business.

Questions have also been raised over the future of Mr Langangen's post as chairman of Statoil, the Norwegian state oil company. These could become pressing if Statoil participates in Uni's share issue.

Benetton in asset swap with Edizione

By Haig Simonian in Milan

BENETTON, the Italian casual wear manufacturer, yesterday confirmed it had swapped a clutch of clothing assets with Edizione Holding, the Benetton family's private holding company, in return for a 38 per cent stake in Prince, the US sports group.

The transaction caused some surprise, as it appears to conflict with the strategy of large-scale sub-contracting under which Benetton has flourished since its birth in the mid-1960s.

Benetton is buying majority holdings in four Italian companies for L90bn ($80m). It is transferring to Edizione Holding its stake in Prince, worth around $70m.

Edizione Holding bought 80 per cent of Prince in September 1990 for an undisclosed sum, and took a further 15 per cent the following month. The company did not then reveal that part of the stake was being acquired by Benetton itself, which is 80 per cent controlled by the Benettons through Edizione Holding.

New chairman for Perrier

NESTLE, the Swiss food group, has appointed Mr Serge Milhaud as chairman of Source Perrier, the French mineral water company it acquired after the European Commission agreed to its FFr15.46bn ($3.03bn) takeover bid, writes Alice Rawsthorn in Paris. Mr Milhaud is already head of Nestlé's mineral water interests.

Enichem heads bid for east German chemical business

By Leslie Colitt in Berlin

THE Treuhand agency, which handles eastern German privatisations, said two European groups are contending to take over one of east Germany's largest chemicals operations.

A consortium led by Enichem, subsidiary of the Italian state energy concern, and including Thyssen Handelsunion, a subsidiary of Thyssen, the German industrial and trading group, and OMV, the Austrian state oil company, has bid to buy polyolefine facilities at the Buna, Leuna and Böhlen sites. These make up the heart of the east German chemicals industry. Polyolefine is a feedstock for producing polyethylene and polypropylene.

Mr Franz Wauschkuhn, Treuhand spokesman, said the agency would sign preliminary contracts with one of the bidders – the other group's name could not be disclosed – by 1993. Investments of between DM2bn ($1.33bn) and DM3bn would be needed to modernise the installations.

The deal would follow the recent contract won by a Franco-German consortium of Elf Aquitaine, the oil company, and Thyssen to build a DM4.3bn refinery at Leuna and to take over east Germany's Minol petrol station network.

Mr Wauschkuhn said Atochem, an Elf subsidiary, had bid to take over methanol production at the Leuna site and was prepared to invest DM200m. Rhône-Poulenc, the French chemicals company, OMV and Beaulieu, the Belgian carpet manufacturer, had bid to buy Leuna's facilities for producing tensides for the detergent industry.

The Treuhand was also seeking to privatise production of ethylene epoxides at Buna. Investments apart from polyolefine production were expected to amount to DM1bn.

Investments of about DM13bn will be needed because of a pledge by Bonn to retain the nearly 20,000 workers in the chemicals industry. It employed more than 100,000 people in early 1990.

Catastrophe claims depress Safeco results

By Nikki Tait in New York

HEAVY catastrophe claims depressed second-quarter earnings at Safeco, the US property and casualty insurer. The company made an after-tax profit of $42.1m in the three months to end-June, compared with $51.2m a year earlier.

The figure was achieved on revenues of $869.7m against $859.6m last time, and profits before realised gains fell from $50.9m to $30.4m. Realised investment gains contributed $11.8m, compared with $264,000. Despite the second quarter fall, however, Safeco is still showing higher profits for the first six months of the year, at $127.2m after tax, compared with $106.5m.

Hailstorms, earthquakes, riots and the need to increase reserves for claims after the Oakland fire disaster cost the group $80m in the second quarter, and led to a $73m underwriting loss. Mr Roger Elgsti, chief executive, said: "Homeowners, the line of business most affected by the catastrophes and weather, posted underwriting losses of $58.3m for the second quarter, and $61.1m for the first six months."

These problem areas were partially offset by improved car insurance results. Personal car insurance posted an $8.5m underwriting profit for the first six months, compared with a $21.9m loss a year ago.

● Alexander & Alexander, the insurance broker, made after-tax profits of $16.9m in the second quarter of 1992, up from $13.5m a year earlier. Profits for the first half of 1992 now stand at $37.7m ($15.4m).

Devanlay to strengthen hold over Lacoste

By Alice Rawsthorn in Paris

DEVANLAY, the French textile group, is strengthening its hold over Lacoste sportswear by buying the North American manufacturing and distribution rights to the brand.

Since 1977 Lacoste has been manufactured and distributed in North America by Crystal Brands, a US clothing company.

Crystal's contract runs until June 30 1993 and will then be taken up by Devanlay, which already holds 35 per cent of Chemise Lacoste, the company responsible for Lacoste's sports shirts.

Crystal is also selling its 50 per cent interest in Lacoste Alligator, the holding company for the brand, to the Lacoste family and Devanlay.

INTERNATIONAL CAPITAL MARKETS

Japanese bonds lose early gains on profit-taking

By Sara Webb in London and Patrick Harverson in New York

JAPANESE government bonds rallied after the Bank of Japan cut the official discount rate by half a percentage point to 3.25 per cent yesterday morning, with the futures contract reaching its highest level since October 1989. However, both the cash and the futures markets slipped later, to close slightly lower on the day as investors took profits.

GOVERNMENT BONDS

Dealers expressed some disappointment that the Bank of Japan had not announced a larger cut in the official discount rate (ODR).

"The bond market had already discounted a 75 basis point cut in the ODR," said one dealer, adding that the market expected to see a further easing in interest rates, possibly around the time of the autumn supplementary budget or possibly even sooner.

Mr Gerard Lyons, chief economist at DKB International, warned that in spite of yesterday's interest rate cut the Japanese economy was likely to remain weak, leading to pressure for a further easing in interest rates. "The combination of the weakness of the economy and the prospect of a further interest rate cut means yields on Japanese government bonds should fall further," he said.

The yield on the benchmark No 129 JGB, which opened at 4.97 per cent, moved to 4.96 per cent after the interest rate cut. However, the benchmark bond ended the day yielding 4.985 per cent, corresponding to a lower price on the day but still higher than Friday's closing price. The September yen bond futures ended the session at 104.60, up from Friday's close of 104.45, but shy of the day's high of 104.70.

Short-term money market rates fell back sharply yesterday with the call rate dropping to 4⅛ per cent from Friday's level of 4$\frac{15}{16}$ per cent. The rate on three-month certificates of deposit fell from 4.31 per cent to 4.04 per cent.

■US Treasury prices firmed at the long end yesterday, but business was slight ahead of today's $15bn auction of two-year notes and tomorrow's sale of $20.5bn in five-year notes.

In late trading, the Treasury's benchmark 30-year bond was ⅝ higher at 105$\frac{19}{32}$, yielding 7.518 per cent. Shorter-dated maturities, failed to match those gains, with the two-year issue $\frac{1}{16}$ lower at 101¾, for a yield of 4.229 per cent.

Treasuries firmed initially on news of the Japanese discount rate cut this weekend, and the 2.9 per cent decline in US home sales for June that was reported yesterday. All the gains were concentrated on the intermediate to long end of the market, while the shorter-dated maturities languished amid a feeling that they have been overbought in recent weeks.

Aside from the economic news, the market's attention was focused on the new supply, and a good deal of yesterday's business was related to positioning of portfolios ahead of the week's auctions.

■GERMAN government bond prices nudged higher in dull trade with the bund market paying little heed to favourable inflation figures.

The market shrugged off news that inflation in the state of Bavaria was unchanged in the month to mid-July, giving a year-on-year rise of 3.8 per cent against 4.7 per cent in June. Bavaria is the last of the four states to report favourable inflation figures, leading to expectations of a sharply lower inflation figure for Germany.

"The market is not responding to the inflation data – it is waiting for news on money supply now," said one dealer. The Liffe bund futures contract opened at 87.27 and edged up to 87.38 by late afternoon.

■UK government bonds ended the day mixed with longer-dated issues closing lower while short-dated gilts were barely changed.

Volumes in the futures market were well below average at around 10,000 contracts. The 11¾ per cent gilt due 2003-07 opened at 116¾ and slipped to 116$\frac{11}{16}$ by late afternoon.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	109.6531	-0.145	8.56	8.70	8.74
BELGIUM		9.000	06/01	100.1500	-0.050	8.97	8.99	8.91
CANADA *		8.500	04/02	106.3300	+0.175	7.57	7.80	8.14
DENMARK		9.000	11/00	98.1500	-0.100	9.31	9.33	9.05
FRANCE	BTAN	8.500	03/97	96.6514	-0.016	9.40	9.40	8.98
	OAT	8.500	11/02	95.3900	+0.015	9.03	9.04	8.77
GERMANY		8.000	01/02	99.3950	-0.025	8.08	8.13	8.05
ITALY		12.000	05/02	92.1600	+0.170	13.91†	13.97	13.14
JAPAN	No 119	4.800	06/99	98.3833	+0.076	5.12	5.25	5.49
	No 129	6.400	03/00	107.8857	+0.207	4.98	5.17	5.27
NETHERLANDS		8.250	02/02	99.1200	+0.040	8.37	8.41	8.32
SPAIN		11.300	01/02	93.7750	+0.875	12.42	12.30	11.42
UK GILTS		10.000	11/96	102-07	-02/32	9.35	9.35	9.20
		9.750	08/02	104-11	+01/32	9.08	9.13	9.17
		9.000	10/08	100-30	-01/32	8.89	8.95	9.00
US TREASURY *		7.500	05/02	105-27	+16/32	6.67	6.89	7.14
		8.000	11/21	105-19	+20/32	7.52	7.68	7.78
ECU (French Govt)		8.500	03/02	94.2000	+0.300	9.43	9.37	8.95

London closing *New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Wako Securities considers sale of some shareholdings

By Emiko Terazono in Tokyo

WAKO Securities, a second-tier Japanese broker, is considering selling some of its stock portfolio, including bank cross-shareholdings.

The slump in the Tokyo market is severely hurting Japanese brokers. Several brokerage houses, including Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities have announced cost-cutting programmes. Wako is the first to admit it would sell cross-shareholdings, mainly of banks.

A loosening of cross-shareholding relationships among Japanese companies became apparent last April, when bank shares plunged on the Tokyo stock market.

Wako said it would try to avoid releasing shares in a way that would depress prices further.

Second-tier brokers expanded aggressively at the height of the bull market in the late 1980s but they face losses as commission revenue has fallen due to low market turnover.

Mr Brian Waterhouse, financial analyst at James Capel in Tokyo, said the sale of cross-held shares was one of several painful options for brokers, though he doubted this would have much impact as the volume of shares involved was relatively small.

● NKK Corp, Japan's second largest steel manufacturer, is to issue Y60bn ($480m) in Eurobonds through public placements, Reuter reports.

Yamaichi International (Europe) will lead manage a Y20bn issue due in November 1999. The issue will carry a 6.1 per cent coupon priced at Y101.845. Signing is on August 4 and payment date is August 14. The other Y40bn of bonds are due in November 2002 and carry a 6.2 per cent coupon priced at Y101.825. Nikko Europe is lead manager.

MSE to trade new basket of securities

By Barbara Durr in Chicago

THE Midwest Stock Exchange, the third largest US stock market, is planning to trade a new basket of securities based on the Major Market Index stock index futures which is traded at the Chicago Board of Trade, the world largest futures exchange.

The Midwest Stock Exchange, which has filed for approval from the Securities and Exchange Commission to trade the new product, hopes that it will lure traders with a highly correlated hedge for the Major Market Index futures contract.

The new product, called the Midwest Basket, is the first time that the Midwest Stock Exchange has ventured into baskets of securities.

It will comprise the 20 stocks included in the MMI futures contract in quantities that approximate one-fifth of the settlement value of the MMI.

The MSE hopes to begin trading the Midwest Basket in this year's fourth quarter.

Resumption of market-making in Ecu sector

By Tracy Corrigan

MARKET-making in Ecu bonds resumed yesterday, after a temporary suspension on Friday, but confidence in the market's liquidity remained at a low ebb, according to some traders and fund managers.

INTERNATIONAL BONDS

Although the suspension, forced by a further wave of selling last week, helped calm the market, the fundamental imbalance of buyers and sellers is expected to persist at least until the French referendum on the Maastricht Treaty on September 20.

Market-makers are still holding long positions which they have been unable to offload, and many have been accumulating further paper.

Dealers said that in the wake of the suspension, and the widening of bid/offer spreads quoted by market-makers, the Ecu bond market has ceased to be viewed as a government or semi-government bond market, and has taken a step back towards the Eurobond market.

Friday's close was "very damaging to the market", according to one fixed income fund manager, who declined to be named. But he said that he would continue to steer clear of the Ecu bond market "because it is unattractive for investment reasons", rather than for liquidity concerns.

Another fund manager said it was "worrying that the liquidity of the Ecu bond market was worsening".

Like many fund managers – following Denmark's rejection of the Maastricht Treaty on June 2 which sent Ecu bond prices tumbling – he is now focusing on Europe's "hard-core" markets including The Netherlands, France and the UK, as well as Germany.

Even though Ecu bonds are now offering a yield pick-up of 30 basis points above their theoretical value, few buyers have materialised.

The French government's Ecu OATs have generally outperformed other issues, partly due to a statement by the Spécialistes en Valeurs du Trésor, the OAT assigned market-makers, that they will continue to make markets under the same terms as before.

Eurobond market makers widened the bid/offer spread to 20 basis points in a minimum size of Ecu5m for the most liquid deals, when they resumed market making yesterday.

While the International Securities Market Association (ISMA), the market's regulatory body, currently recognises 44 market makers, it is widely agreed only a portion of market makers deserve the name.

Some of the market's problem's have stemmed from the burden on leading market makers, some of which have taken on a huge volume of paper which they are now unable to sell, even at lower prices. "The core of the market consists of 12-15 houses, which do 95 per cent of the business," observed Mr David Ovenden, who chairs ISMA's Ecu committee.

Although the need to cut the number of designated market-makers is widely recognised, a firm's commitment to market-making may be hard to verify, as some traders can obey the letter of the rules but not the spirit of the obligation.

Elsewhere, only a handful of new Eurobond issues emerged.

In the German market, Deutsche Finance launched a DM500m five-year deal via Deutsche Bank, while another German bank, DSL Bank, launched a £100m issue of 10-year subordinated bonds, via S. G Warburg. Interest was fuelled by the lack of high quality debt trading at around par. The subordination of the debt is not a deterrent for investors, since the legal support of the German government is insensitive to the subordination.

The European Investment Bank launched a further A$350m issue of bonds under its increased A$1.5bn global bond programme, arranged by Hambros Bank.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
CANADIAN DOLLARS						
Finnish Export Crdt.(a)†	150	6¾	101.10	1996	1⅝/1.4	Kidder Peabody Intl.
STERLING						
DSL Bank(c)†	100	9¼	100.365	2002	-	S.G.Warburg
AUSTRALIAN DOLLARS						
EIB(b)†	350	7¾	98.882	1999	-	Hambros Bank
YEN						
NKK Corp(a)†	20bn	6.10	101.845	1999	1⅞/1.575	Yamaichi Intl.
NKK Corp(a)†	40bn	6.20	101.825	2002	2/1½	Nikko Europe
D-MARKS						
Deutsche Fin.Neth.(a)†	500	8½	102	1997	2/1¼	Deutsche Bank

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms.a) Non-callable. b) Part of an A$1.5bn global bond programme. Non-callable. Fees undisclosed. c) Subordinated issue. Non-callable.

Mexico finance groups hit by rates increase

By Damian Fraser in Mexico City

MEXICO'S newly-formed financial groups are estimated to have lost at least $500m after a sharp rise in interest rates in May and June.

Long-term real interest rates in Mexico rose about 3 percentage points over the period. This caused many of Mexico's banks and brokerages to suffer large losses on the so-called *ajustabonos*, the long-term bonds which offer a fixed rate of interest over inflation.

Mr Roberto Barrera of brokers Invermexico put the total loss of financial groups at $500m, although other reports estimated losses to be as high as $1.3bn. Two stockbrokers said Banamex-Accival, the largest financial group, lost $145m while GF Probursa, another broker, lost $80m.

Mexican newspapers and some brokers have suggested part of the losses have been passed on to clients, but the Comision Nacional de Valores said there was no evidence of this.

The losses are likely to hurt financial groups that depend heavily on earnings from money market trading, and which had profited handsomely from steady falls in Mexico's interest rates over past years.

On average, 37 per cent of Mexican stockbrokers' profits came from money market operations last year. Some financial groups such as GF Probursa and GF GBM Atlantico depend for more than half their profits on their stockbrokerage arms.

"This is evidence of the high volatility of earnings on some of Mexico's financial groups, whose income is overly dependent on brokerage operations," said Baring Research in Mexico City.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 27

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	107⅝	108⅛	+⅛	5.04
ALBERTA PROVINCE 9 3/8 95	400	111⅛	111⅝	-⅛	5.48
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 4 5/8 94	40000	101¼	101½		3.87
ELEC DE FRANCE 5 5/8 96	20000	103½	103¾	+⅛	4.72
FINLAND 6 3/4 96	50000	105¾	106	+⅛	4.98
INTER AMER DEV 7 1/4 00	30000	111	111¼		5.47
KANSAI ELEC PWR 4 5/8 94	60000	100¼	100½		4.46
NIPPON TEL & TEL 5 7/8 96	50000	103¼	103½		4.99
NORWAY 5 1/8 95	50000	101⅝	101⅞		4.46
SNCF 6 3/4 00	30000	108⅛	108⅜		5.41
SWEDEN 5 5/8 95	20000	102¼	102½		4.85
WORLD BANK 6 3/4 00	50000	108⅛	108⅜		5.34

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94¾	95¼		10.05
COPENHAGEN TEL 8 5/8 96 LFr	600	98¾	99¾		9.16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Conv. Price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MOUNT ISA FIN 6 1/2 97	100	2.283	102¾	103¾	+6.90
OGDEN 6 02	85	39.077	83	83¾	+64.22
SEGA ENTERPRISES 3 1/2 96	200	13018	96¾	97¾	+37.62
SMITH & NEPHEW 4 02 £	90	1.775	124¾	125¾	+60.30
SUMITOMO BANK 3 1/8 04	300	3606.9	61	62	+73.32
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	94¼	95	+92.86
THORN EMI 5 3/4 04 £	103	7.16	121	122	+15.51

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price, the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	12	23	46
Other Fixed Interest	0	4	11
Commercial, Industrial	93	483	863
Financial & Property	42	251	500
Oil & Gas	10	13	63
Plantations	0	0	9
Mines	14	51	84
Others	21	37	82
Totals	192	862	1,658

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. [illegible] Dividend and yield based on prospectus or other official estimates for 1991-92. H Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♦ Units comprising 1 Ord. and 1 Zero Div. Pref. share.

TRADITIONAL OPTIONS

- First Dealings July 20
- Last Dealings Aug. 1
- Last Declarations Oct. 15
- For settlement Oct. 26

3-month call rate indications are also shown on this page.

Calls in ASDA, BTR warrants '94, J. Haggas, Lloyds Chemists, Midland & Scottish Res. and Spring Ram. Put in Amstrad.

LIFFE EQUITY OPTIONS

Option		Calls			Puts		
Alld Lyons (*602)	550	77	84	97	7	13	17
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Euro FT-SE Calls 423 Puts 1045
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

	p								
■ INDUSTRIALS		Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	5	Courtaulds	43	Lex Service	22	TI	55	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	22	TSB	11½	Burmah Castrol	48
BAT Inds	68	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	8½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	28	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	47
Brit Aerospace	26	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	55	Land Sec	30		
BT	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	36	ICI	95	Reed Intl	44	Mountleigh	1½		

Annual dividend expected to be maintained despite gloomy economic prospects

Bullough records 18% decline to £5.89m

By Roland Rudd

THE PROLONGED and deepening recession in the UK and France was behind an 18 per cent fall in interim profits at Bullough, the office products and refrigeration group.

For the six months to April 30, pre-tax profits fell from £7.18m to £5.89m on sales of £132.7m, down from £141.5m.

The interim dividend is maintained at 1.75p. Earnings per share fell from 4p to 3.12p.

Mr Derrick Battle, chairman, warned that "because of the lack of any discernible economic upturn" profits for the full year would be lower than the £20.8m achieved last time. The group still intends to maintain the dividend for the year at 6.05p.

Operating profits from office products fell from £4.27m to £1.55m. Atal in France was reduced to near break-even as the company has still to work through planned redundancies with local authorities.

Mr Battle said he remained pessimistic about a UK recovery in office furniture.

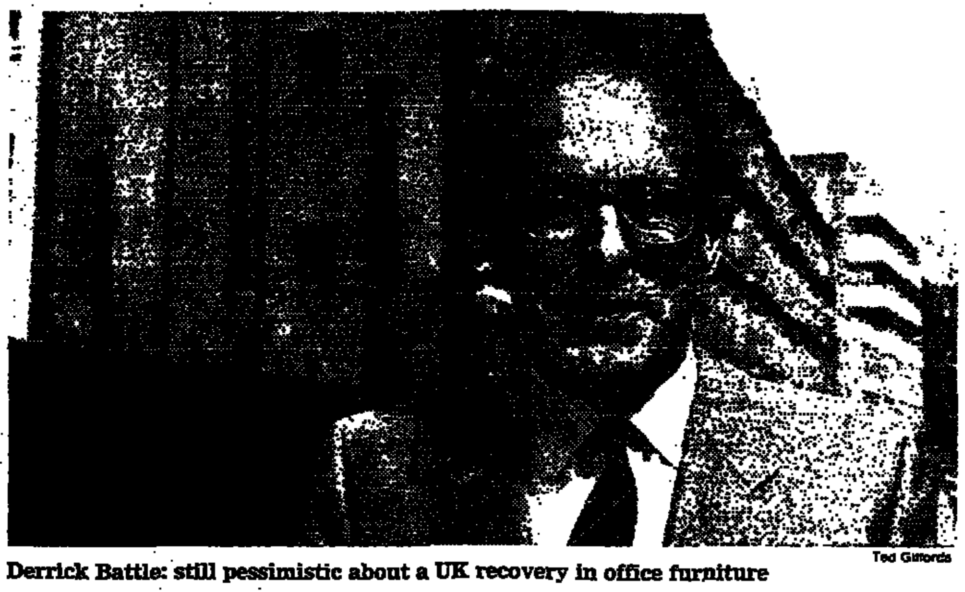
Last year's demand for new fridges, prompted by health and safety regulations covering the temperature of food in distribution and display, was not sustained. Refrigeration's profits fell from £2.12m to £975,000.

The division's costs were up in anticipation of a better second half, although both full-year sales and profits are likely to remain below last year's.

The lower cost base of BFN Storefitters and Beanstalk enabled Store Fitting to reduce its loss from £1.82m to £66,000.

Operating profits at the remaining divisions were: heating £2.1m (£2m); electrical £486,000 (£748,000) and engineering £1.28m (£858,000).

Capital expenditure of £5.3m was mainly responsible for an increase in net borrowings from £7.8m to £8.8m.



Ted Giffords

Derrick Battle: still pessimistic about a UK recovery in office furniture

● COMMENT

Bullough has long been seen as a safe recovery stock. Given that the long-awaited recovery looks further away than ever, the key question is how will the group fare without an upturn in the economy? While office products shows no signs of an improvement, electrical and engineering businesses should continue to make impressive advances in sales and profits. The latter is particularly sweet for the company since it was advised by some commentators to sell the division. The worst appears over in store fitting, and although refrigeration had a disappointing first half it is expected to do better in the second. With full-year pre-tax profits of £17.5m, giving earnings per share of 9.3p, the shares – down 21p to 114p – are on a prospective multiple of 12.2. They still look fairly priced though, irrespective of whether an economic recovery takes place.

ADT acts over Britannia audit

By Roland Rudd

ADT, the Bermuda-based security and car auction company, yesterday issued a writ against Binder Hamlyn alleging negligent statements in connection with its £110m takeover of Britannia Security Group.

Mr David Hammond, ADT's deputy chairman, said: "We have started proceedings against Binder Hamlyn, Britannia's auditors, alleging negligent misrepresentations in connection with our acquisition of Britannia."

ADT alleges that at a meeting prior to the takeover in January 1990 Binder Hamlyn said that Britannia's financial statement for the year to June 1989 was both true and fair. That statement, says ADT, contained "material inaccuracies".

Its 1991 annual report reveals that a review of Britannia's businesses showed that certain assets, particularly subscriber systems installed at customer premises "had been included in the consolidated financial statements of Britannia at values materially in excess of their net realisable value."

This led to a $278m (£145.5m) goodwill write-off on the acquisition which made ADT into Britain's second largest burglar alarm company.

Binder Hamlyn said it could not comment since the partner who acted for Britannia was away on holiday.

Gardner in black on £3.76m turnround

AN OPERATING surplus and absence of exceptional charges turned round DC Gardner Group, the personnel training company, by £3.76m, pulling it back from a £2.83m loss to a £930,000 pre-tax profit in the first half of 1992 following a restructuring.

Mr Stephen Johnson, chairman, said: "We are pursuing a clear objective, to develop the group into a major international human resources and training business".

The group had performed well in the opening period and "we see no reason why this progress cannot be maintained during the second half".

Progress was maintained in all three divisions – outplacement, residential conference centres and training and publications.

Turnover totalled £10.2m (£12.5m including £3.93m for discontinued businesses). The operating profit was £1.28m (losses £266,000, with £750,000 from those discontinued).

Net interest charges were cut to £350,000 (£932,000) and there were no exceptionals (£1.63m).

Earnings came to 2p (losses 18.6p).

Honey side blamed for 14% fall at Merrydown

By Philip Rawstorne

MERRYDOWN WINE, the USM-quoted cider, wine and health foods group, reported a 14 per cent decline, from £2.24m to £1.93m, in annual profits before tax.

Its premium cider brands weathered the recession with strong sales growth through supermarkets and off-licences but its honey business was badly hit, according to Mr Richard Purdey, chairman.

The outcome for the year to March 31 was also affected by a 45 per cent increase to £425,000 in interest charges and higher British apple prices.

Operating profits fell from £2.53m to £2.35m on turnover up 3 per cent at £17.3m.

First quarter sales of the group's key brands were ahead of last year despite increased competition and difficult economic conditions, Mr Purdey said.

Merrydown Vintage cider had maintained its position as the leading premium brand and was the best-selling packaged cider in Scotland. Merrydown Traditional, launched in January last year, had secured 5 per cent of the growing can sector; and Premium Draught, the group's first keg cider, would be given wider distribution through a partnership to be announced shortly.

Reorganisation of West Country Honey Farms under a new managing director had been completed, and the company would now compete in the mainstream honey market as well as building its specialist preserves business. "I am confident we shall see a return to former levels of profitability," Mr Purdey said.

Group export sales increased 13.4 per cent to £760,000.

Earnings were reduced from 20.61p to 17.15p but the total dividend is raised an effective 12.5 per cent to 7p with a final of 6p; as in the previous year, there is a 1-for-8 scrip issue.

Wembley sells Guild offshoot for £19m

By Peter Pearse in London and Alice Rawsthorn in Paris

WEMBLEY, the international leisure group which owns the national stadium, has agreed to sell Guild Entertainment, the UK independent distributor of films, for an initial £19m to Chargeurs of France.

It has also received permission to install up to 1,200 electronic gaming machines – "one-arm bandits without the arms" – at Lincoln Greyhound Park in Rhode Island, US.

The Guild sale is part of Wembley's policy of reducing its debt by disposing of non-core businesses. In April borrowings totalled some £175m; after the sale they will fall to £124m, giving gearing of 58 per cent, according to Mr Alex McCrindle, finance director.

The initial consideration is in cash and Wembley will be paid a further £5.5m, dependent on Guild's profits performance in 1992.

Wembley bought Guild in October 1989 for £23.8m in cash and shares. The figure included an outstanding balance of £4.5m in respect of letters of credit issued to the original Guild vendors which will remain payable by Wembley.

Guild distributes mainly independently-made films – such as Terminator 2, Dances with Wolves and Basic Instinct – to the cinema, video and television industries and made pre-tax profits of £1.9m on turnover of £33.9m in 1991.

For Chargeurs, which has extensive interests in textiles and the film industry, the acquisition offers an opportunity to expand its film and video interests.

The French group, headed by the controversial Mr Jerome Seydoux, a close associate of President François Mitterrand, is already a leading force in the French film industry. It is an investor in Renn Productions, the film-making company connected with Mr Claud Berri, the French producer behind Jean de Florette and Manon des Sources, and in the Pathé cinema chain.

Fyffes pays £48m for half share in Swedish distributor

By Tim Coone and Hilary Barnes

FYFFES, the Dublin-based fruit and vegetable distributor, has finally secured a foothold in continental Europe by acquiring 50 per cent of Saba Trading, a Swedish wholesale distributor with links into the Dutch, German and Spanish markets, for SKr500m (£47.5m).

Ever since Fyffes' I£60m (£56m) rights issue in June 1991, there have been expectations of a strategic European acquisition which would give it the strength to begin competing seriously with the other leading banana and fruit distributors such as Chiquita and Dole.

Saba is a wholly-owned subsidiary of Axel Johnson, the Swedish trading group, and the sale price marks a sharp reduction on the SKr4.1bn which Axel Johnson paid to acquire the business from Carnegie in 1988. Saba currently has turnover of £240m and reported pre-tax profits of £12.4m in the year to end-August.

As part of the deal, Fyffes has options to acquire, or may be obliged to acquire, the remaining half share over a number of years.

In 1990, Axel Johnson entered into a co-operation agreement with Spar Handel of Hamburg, the fifth biggest consumer goods conglomerate in Germany, under which Saba took on responsibility for Spar's overseas import activities and the purchase of tropical and exotic fruits through FTK, a Dutch subsidiary of Spar in which Saba took a 50 per cent stake. Saba also has a 47.5 per cent interest in Compania Fresa, a Spanish fruit and vegetable distributor.

These links raise the question of whether Fyffes will continue with its interest in acquiring PPI Del Monte.

Mr Carl McCann, Fyffes finance director, said: "If it's available and at the right price then we are interested."

However, for Fyffes to take control of PPI Del Monte it would probably either require a partner, or a new rights issue, as the Saba deal will have reduced its cash reserves to some £47m. PPI Del Monte is expected to be valued in the $500m to $800m (£260m to £420m) range.

Mr McCann played down the possibility of either option saying: "Saba has cash in it and we remain in a strong financial position even after the acquisition".

One market analyst in Dublin described the deal as "a good strategic step for Fyffes, even if the price being paid at 13 times historic earnings is a bit high".

He said that annual banana consumption in Sweden had doubled from 9kg to 18kg per head over the past ten years, making it one of the strongest markets worldwide.

Nu-Swift drops to £20m

By Andrew Bolger

NU-SWIFT, the fire protection, office cleaning and property group, reported a fall in pre-tax profits, from £32.6m to £20.2m, in the year to December 31.

Turnover fell to £326m (£342m). The company said its businesses had suffered from difficult conditions in the UK and US, but costs had been closely controlled and operating profits were reasonable.

The office cleaning and maintenance division had found trading conditions difficult in the US,but improved efficiency and reduced costs meant results in the first quarter of 1992 were 21 per cent ahead.

Following the disposal in 1990 of its holding in Sicli, the French fire extinguisher company, Nu-Swift invested £49m in property which, together with non-recourse borrowings of £78m, enabled it to acquire a property portfolio, mainly offices in central London.

Earnings per share fell from 45.36p to 34.74p. A same-again final dividend of 10p is proposed, to make an increased total of 20p (18p).

Excalibur dives 73% to £1.11m but strengthens balance sheet

By Peter Pearse

EXCALIBUR, the jewellery, merchandising and engineering group, said yesterday that the year to April 30 had contained bad and good news, suggesting the good – on the balance sheet – outweighed the bad – on the profit and loss account.

Pre-tax profits tumbled 73 per cent to £1.11m (£4.14m), after a £1.6m exceptional charge for written-down jewellery stocks.

Sales in the jewellery division fell 11 per cent to £16.4m. Giftware and merchandising lifted sales 11 per cent to £22.1m. The crystal and pewterware companies were flat, but Pic-A-Tape, the music distributor, achieved record profits.

Sales in the aerospace division grew 9 per cent to £10.1m with its four companies all in profit but with slipped margins. Sales in the industrial side advanced 28 per cent to £16.5m, though trading losses were incurred.

Group turnover rose to £65.1m (£60.7m). Earnings were down at 1.3p (6.2p) per share and the proposed final dividend is reduced to 0.6p for a total of 1p (1.8p).

The group was at pains to stress the good news on the balance sheet. All its borrowings have been restructured away from short-term to long-term arrangements with fewer banks.

Working capital has been reduced by 20 per cent and redeployed away from jewellery and industrial to giftware and aerospace, which require additional investment. Capital investment was maintained at £4.6m and gearing held at 58 per cent.

● COMMENT

With the jewellery market having shrunk by 40 per cent since the heady days of 1989 and the industrial division in the wrong part of the cycle, Excalibur needed its other two legs to stand on. Even though aerospace took a double blow from Rolls-Royce, which decided to end its own raw materials buying and switched from 30-day to 60-day credit, it has a good order book, though it will have to claw back some margin. In giftware, Pic-A-Tape was the star, though whether it can successfully break out of service stations and into groceries remains to be seen. If the jewellery side needs no more provisions, and that is a big 'if' with jewellery likely to be last out of the recession, then £2m pre-tax can be expected this year, giving earnings of 2.3p and a prospective multiple of about 7. Not expensive, not exciting, but a recovery stock, though not yet.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bullough ....int	1.75	Sept 16	1.75	-	6.05
Excalibur ....fin	0.6	Oct 9	1.4	1	1.8
Greggs ....int	5	Oct 9	4.75	-	14.125
Merrydown Wine §...fin	6	Oct 2	5.333*	7	6.222*
Mosaic Invs ....fin	5.5†	Oct 2	5.75	9.25	9.25
Nu-Swift ....fin	10	Aug 28	10	20	18
RPS § ....int	1	Oct 26	1.4	-‡	2
Smaller Cos ....int	1.2	Oct 12	1.2	-	2.5
TR Smaller Cos ....fin	2.2	Sept 29	2.2	3.7	3.7

Dividends shown pence per share net except where otherwise stated *Adjusted for scrip issue. †On increased capital. §USM stock. ‡Increased total expected.

COMPANY NEWS: UK

Accountants' report sparked Serious Fraud Office inquiry into share dealings

Richmond Oil's underwriting queried

By Peggy Hollinger, recently in Jersey, Channel Islands

A PRICE Waterhouse report, which has sparked a Serious Fraud Office inquiry into share dealings in Richmond Oil & Gas, raises serious questions about arrangements for the underwriting of the company's flotation, which flopped badly in July 1989.

Price Waterhouse is concerned about the involvement of a number of companies which, as sub-underwriters, agreed to take a proportion of the unsubscribed shares. The report believes there are grounds for investigating whether a financing scheme involving some of the sub-underwriters misled investors in Richmond shares in the weeks after the flotation.

Richmond, a US-based exploration and development company keen to profit from the popularity in the UK of oil and gas plays, offered 20m shares at 105p in July 1989. The offer valued the whole company at £68m.

Only 12.2 per cent of the shares were taken up, however, and they closed at 62p on the first day of trading. Two weeks later, the shares began a steady climb to 173p on June 28 1990. They then began a virtually unbroken fall to close last night at 6p.

Richmond's flotation was underwritten by its broker, the now-defunct Corporate Broking Services. A small part was sub-underwritten by several major stockbroking or investment fund groups, such as BZW. However, a further 12 companies were responsible for 72 per cent of the sub-underwriting commitment, and are the focus of Price Waterhouse's concern.

Some of the 12 were managed or controlled by Mr Kelvin Myles, a former manager of Bryant & Co, a Jersey accountant raided by local police in April.

The report was compiled at the request of Jersey authorities investigating the disappearance of about £150,000 lodged with Bryant & Co. Police commissioned Price Waterhouse to analyse documents found at Bryant. The authorities subsequently passed the report to the SFO last month.

The report says the preliminary evidence indicates that Mr Myles acted as a "nominee (holding and using powers of attorney and executing necessary payments) in a scheme to mislead investors".

Mr Myles, who is now living in the Republic of Ireland, said he had no comment on the subject.

In the course of its investigation, Price Waterhouse discovered what appears to be evidence of a "circle of funds", which it suggests was used to give the impression that Richmond's underwritten offer was fully financed.

In the course of its investigation, Price Waterhouse discovered what appears to be evidence of a "circle of funds", which it suggests was used to give the impression that Richmond's underwritten offer was fully financed.

With one exception, accounting records for the 12 underwriting companies have not been seen by Price Waterhouse. The firm "consequently cannot conclude whether they had resources capable of funding their underwriting commitment".

The circle appears to have been "kick-started" with funds from Bryant & Co client accounts.

According to Price Waterhouse, various amounts of money were pumped repeatedly around the circle via three bank accounts in the 10 days after the July 10 closing date for the flotation. The transactions totalled £16m.

Documents show that money flowed from Bryant's account at Royal Trust in Jersey to Richmond's underwriting account at Barclays in London. Richmond then lent a similar sum to Jersey-based Oakwood Management Enterprises, which transferred funds back to Bryant.

Richmond lent a total of £15.8m to Oakwood. The report alleges that Oakwood partly paid the company back by bank loans raised through some of Mr Myles' sub-underwriters and secured against the stock.

Thus Sabre Trust, which Mr Myles administered, raised £1m, later increased to £2m, from Bankers Trust in Jersey. Bankers Trust was forced to sell some of the shares to secure repayment of the loan.

The Price Waterhouse report is based entirely on information gathered from Bryant & Co's premises. In a discussion paper, it set out its recommended further investigations and stressed that its inquiry was a preliminary one.

As a director of Oakwood, Mr Myles signed documents including the agreement to borrow money from Richmond. When asked if he knew Oakwood, Mr Myles said he had "heard of it". When asked why he appeared as a signatory for the company, Mr Myles refused to comment.

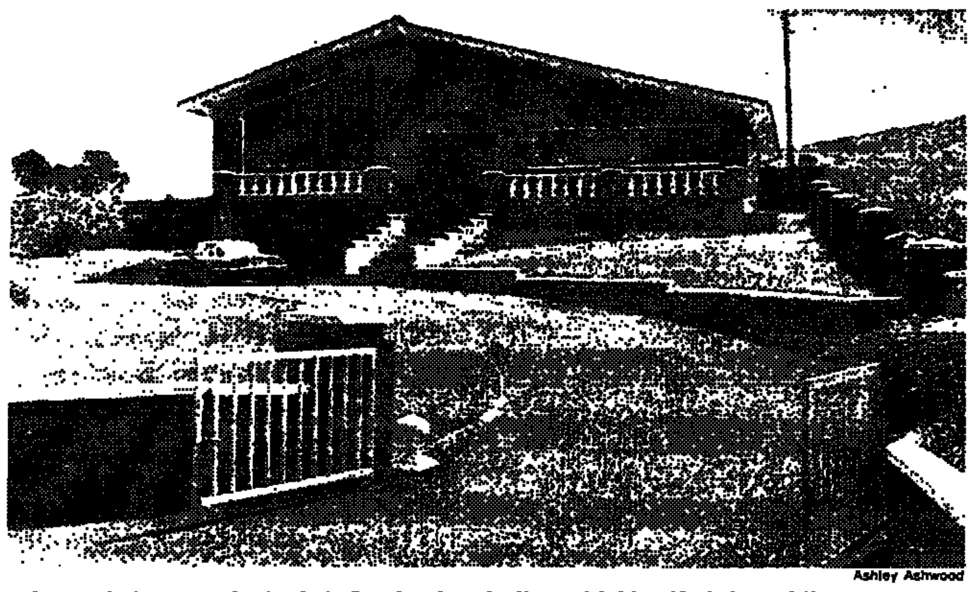
Mr David Wilkinson, Richmond's then-chairman, said he was unaware of any cash circle. He said the flotation receipts from the sub-underwriters had been put on deposit with Oakwood at the suggestion of Corporate Broking Services. Mr Wilkinson was a director of CBS at the time.

"They recommended that they could gain a better rate of interest from a source and the company agreed to do that," he said.

Mr Wilkinson, who is currently Richmond's joint managing director, said he had been unaware that Mr Myles had been a director of Oakwood, although he knew that Mr Myles had dealt with underwriting matters. He could not recall the letter sent to him by Mr Myles on March 14 1990, terminating the relationship with Richmond.

Ashley Ashwood

Kelvin Myles, pictured recently in Drogheda, former manager of Bryant & Co, which was raided by police



Ashley Ashwood

Kelvin Myles's £70,000 hacienda in Louth, where he lives with his wife, baby and three motor cars

Opting for the quiet life

By Peggy Hollinger

RESIDENTS IN the tax-haven of St Helier have devised an alternative tour for curious visitors. On the left, they say, is the house where Guinness money changed hands, on the right Polly Peck and down the road, the bank where Brinks Mat gold finds a home.

The latest addition to the tour is Maxwell Chambers, home of Bryant & Co. These small accountancy offices have sparked a Serious Fraud Office investigation into a possible share support scheme in at least two quoted companies – Richmond Oil and Gas and Butte Mining.

Bryant & Co was once a thriving firm, looking after the needs of hundreds of off-shore clients. Yet when police raided the premises in April, they walked into the Marie Celeste. Just a pile of unopened mail and thousands of papers cramming numerous filing cabinets.

The local fraud office is still puzzled as to how the office came to be deserted.

One of the few men who can answer that question is Mr Kelvin Myles, Bryant's burly office manager since 1989. He took over the day-to-day running of the business after the death of proprietor Mr Peter Bryant and the departure of a fellow manager.

In the months preceding the raid, however, Mr Myles gave up his Jersey career for a quiet life running a fishing tackle shop in the Republic of Ireland. He, his family, their Bentley, Corvette and Jaguar now live in peaceful obscurity in the tiny village of Danore, outside Drogheda.

Standing on the steps of his £70,000 home – a Costa del Sol construction sited oddly among the cattle fields of Louth – Mr Myles refused to answer the question preoccupying the police. Nor would he comment on his role in the London flotation of Richmond Oil & Gas.

Yet it is clear from documents that Mr Myles did have a legitimate part to play. Cheques made out to Richmond, totalling several million pounds, were signed in his distinctive scrawl.

Letters from Richmond, demanding repayment of £12m in January 1990, were addressed to him as a director of Oakwood Management Enterprises.

When asked about Oakwood, however, Mr Myles would only say that he had "heard of it".

Whatever the case, it is clear that Mr Myles has more pressing matters on his mind. Down the road from the Myles hacienda, patrons in the local pub are sure of it. "Two hundred thousand pounds worth of cars," said one with an ironic grin, "and not one of them is even working."

Recession restricts Greggs to £2.29m

By Chris Tighe

GREGGS, the Newcastle upon Tyne-based manufacturer and retailer of bread, confectionery and savory products, returned profits of £2.29m before tax for the 24 weeks ended June 13.

That was a 2 per cent improvement on last time's £2.24m and was scored on the back of a 4 per cent increase in turnover to £45.3m, helped by the opening of nine new shops.

A small decrease in volume sales through existing stores reflected the impact of the recession.

A more positive trend in sales and profits identified by the company in the first five months of the year was not sustained after Easter.

Mr Mike Darrington, managing director, said he was confident about the medium and long term future but he did not expect the recession to end "in the very near term."

At the half year end Greggs was trading from 482 outlets. In spite of a £1.25m cutback in planned investment to £6.25m the group expected to open a further eight new shops and close one during the remainder of the year.

"We are investing in the future," said Mr Darrington.

Apart from the recession, Greggs suffered from the impact of Sunday trading, to which it was firmly opposed, and massive expansion by supermarket competitors.

Interest income for the opening 24 weeks fell from £232,000 to £166,000, mainly reflecting lower interest rates.

The interim dividend is lifted by 5.3 per cent to 5p from static earnings of 13.4p.

Monarch Resources

The rights issue by Monarch Resources has been accepted in respect of 24.7m units of its 1993 non-interest bearing convertible unsecured loan stock, representing 84.2 per cent of the offer.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 28.07.92: Pool purchase price £/MWh	Final Prices for Trading on 30.06.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17 76	17 70	17 70
0100	17 76	17 62	17 62
0130	17 64	17 58	17.58
0200	17.64	17 58	17 58
0230	17 64	17 59	17.59
0300	17 64	17.62	17 62
0330	17 64	17 62	17 62
0400	17 64	17 58	17 58
0430	17.64	17 58	17.58
0500	17 64	17.58	17.58
0530	17 64	19 79	21.86
0600	17.64	19 94	22.11
0630	17.76	19 94	22 12
0700	17.64	24 14	26.52
0730	24 48	25 17	27.54
0800	21 41	25 53	27 85
0830	23 98	28 02	30.32
0900	25 72	28.04	30.29
0930	26 05	28 05	30.31
1000	26.05	28.06	30.30
1030	26 05	28 07	30 32
1100	26.05	28 09	30.34
1130	26 05	28 13	30 39
1200	26.05	28 15	30 43
1230	26.05	28 11	30 40
1300	26.05	28 07	30 36
1330	26 05	26 54	28.79
1400	25.52	26.30	28.94
1430	24 60	25.83	28 08
1500	26 05	25 83	28 06
1530	26 05	25 83	28.05
1600	26 05	25.83	28.06
1630	26 05	28 02	30.31
1700	26.05	28.03	30.31
1730	26 05	28 02	30 30
1800	26.05	28 01	30.30
1830	24 60	25 34	27 58
1900	23 48	24.68	26 91
1930	22.77	24.68	26 93
2000	21 41	24 61	26.87
2030	17 80	24.61	26 88
2100	27 99	22 44	24 64
2130	27 99	24 61	26.87
2200	27 99	32 69	35 19
2230	27 99	32 69	35.19
2300	21 19	32 69	35 23
2330	21 41	23 77	26.04
2400	17 76	21 82	24 03

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left eg £18.86/MWh becomes 1.886p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, July 27, 1992: In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	51.8141	34.9164	40.593
Albania (l)	(Lek)	211.255	110.287	74.3201	86.4028
Algeria	(Dinar)	39.91	20.8352	14.0404	16 3231
Andorra	(Fr Fr)	9.5925	5.0078	3.3746	3.9233
	(Sp Peseta)	180.85	94.4139	63.6235	73.9672
Angola	(Kwanza)	1052.5	549.465	370.273	430.47
Antigua	(E Carr $)	5.1854	2.707	1.8242	2 1208
Argentina	(Peso)	1.9036	0.9937	0.6696	0.7785
Aruba	(Florin)	3.44	1.7958	1.2102	1.4069
Australia	(Aus $)	2.5850	1.3495	0.9094	1.0572
Austria	(Schilling)	20 450	10.676	7.1943	8.364
Azores	(Port Escudo)	242.00	126.338	85.1363	98.9775
Bahamas	(Bahama $)	1.9155	1	0.6738	0.7834
Bahrain	(Dinar)	0.7182	0.3749	0.2526	0.2937
Balearic Is	(Sp Peseta)	180.85	94.4139	63.6235	73.9672
Bangladesh	(Taka)	74.0215	38.6434	26.0409	30.2746
Barbados	(Barb $)	3.8627	2.0165	1.3589	1.5798
Belgium	(Belg Fr)	58 65	30 6186	20.6332	23.9877
Belize	(B $)	3.841	2.0052	1.3512	1.5709
Benin	(CFA Fr)	479.625	250 392	168 734	196.166
Bermuda	(Bermudian $)	1.9155	1	0.6738	0.7834
Bhutan	(Ngultrum)	54 36	28.379	19.124	22.2331
Bolivia	(Boliviano)	7.50	3.9154	2.6385	3.0674
Botswana	(Pula)	3 9846	2.0801	1.4017	1.6296
Brazil	(Cruzeiro)	7737.98	4039.67	2722.24	3164.82
Brunei	(Brunei $)	3.1027	1.6197	1.0915	1.2689
Bulgaria	(Lev)	40.00	20.8822	14.0721	16.3599
Burkino Faso	(CFA Fr)	479.625	250 392	168.734	196.166
Burma	(Kyat)	11 2275	5.8613	3.9498	4.592
Burundi	(Burundi Fr)	398.85	208.222	140 317	163.129
Cambodia	(Riel)	1632.42	852.216	574.29	667.656
Cameroon	(CFA Fr)	479.625	250.392	168 734	196.166
Canada	(Canadian $)	2.2785	1.1895	0.8015	0.9319
Canary Is	(Sp Peseta)	180.85	94 4139	63.6235	73.9672
Cp. Verde	(CV Escudo)	122.59	63.9989	43.1275	50.139
Cayman Is	(CI $)	1.6324	0.8522	0.5742	0.6676
Cent. Afr. Rep	(CFA Fr)	479.625	250.392	168.734	196.166
Chad	(CFA Fr)	479.625	250.392	168.734	196.166
Chile	(Chilean Peso)	702 34	366 661	247 085	287.256
China	(Renminbi Yuan)	10.3535	5.4051	3.6423	4.2345
Colombia	(Col Peso)	1196.61	624 699	420.971	489.411
CIS	(Rouble)	1.0538o	0 5501	0.3707	0.431
		296 76m	154.926	104 401	121 374
Comoros	(CFA Fr)	479.625	250 392	168 734	196.166
Congo (Brazz)	(CFA Fr)	479.625	250 392	168.734	196.166
Costa Rica	(Colon)	258.21	134.8	90.839	105.607
Côte d'Ivoire	(CFA Fr)	479.625	250.392	168.734	196.166
Cuba	(Cuban Peso)	1.4546	0 7593	0.5117	0 5949
Cyprus	(Cyprus £)	0.8216	0.4289	0 289	0.336
Czechoslovakia	(Koruna)	52.83c	27 5802	18.5857	21.6073
		51.00t	26 6249	17.9419	20.8588
Denmark	(Danish Kroner)	10.9425	5 7126	3 8496	4.4754
Djibouti Rep	(Djib Fr)	335.00	174.889	117.854	137 014
Dominica	(E Carrib $)	5.1854	2.707	1.8242	2.1208
Dominican Rep	(D Peso)	24.93	13.0148	8.7704	10.1963
Ecuador	(Sucre)	2766.96o	1444.51	973 425	1131.68
		2952.77a	1541 51	1038.79	1207.68
Egypt	(Egyptian £)	6.30	3.2889	2.2163	2.5766
El Salvador	(Colon)	15.3961	8.0376	5.4163	6.2969
Equat'l Guinea	(CFA Fr)	479 625	250.392	168.734	196 166
Ethiopia	(Ethiopian Birr)	3.9562	2.0653	1.3918	1.618
Falkland Is	(Falk £)	1.00	0.522	0.3518	0.4089
Faroe Is	(Danish Kroner)	10.9425	5 7126	3.8496	4.4754
Fiji Is	(Fiji $)	2.8255	1.475	0 994	1 1556
Finland	(Markka)	7.8055	4.0749	2.7459	3.1924
France	(Fr)	9.5925	5 0078	3.3746	3.9233
Fr Cty/Africa	(CFA Fr)	479.625	250.392	168.734	196 166
Fr Guiana	(Local Fr)	9.5925	5 0078	3.3746	3.9233
Fr Pacific Is	(CFP Fr)	173 00	90 3158	60 8619	70.7566
Gabon	(CFA Fr)	479.625	250.392	168.734	196.166
Gambia	(Dalasi)	16.8428	8.7929	5.9253	6.8886
Germany	(D-Mark)	2.8425	1.4839	1	1.1625

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	778.94	406.651	274.033	318.585
Gibraltar	(Gib £)	1.00	0.522	0.3518	0.4089
Greece	(Drachma)	349.80	182.616	123.061	143.067
Greenland	(Danish Krone)	10.9425	5.7126	3.8496	4.4754
Grenada	(E Carr $)	5 1854	2.707	1.8242	2.1208
Guadaloupe	(Local Fr)	9.5925	5.0078	3.3746	3.9233
Guam	(US $)	1.9155	1	0.6738	0.7834
Guatemala	(Quetzal)	9.8592	5.147	3.4684	4.0323
Guinea	(Fr)	1560.0	814.409	548.813	638.037
Guinea-Bissau	(Peso)	9602.5	5013.05	3378.19	3927.4
Guyana	(Guyanese $)	237.37	123.921	83.5074	97.0838
Haiti	(Goude)	9.6025	5	3.3781	3.9274
Honduras	(Lempira)	10.4324	5.4463	3.6701	4.2668
Hong Kong	(HK $)	14.8557	7.7555	5.2262	6.0759
Hungary	(Forint)	148.78	77.6716	52.3412	60.8507
Iceland	(Icelandic Krona)	104.22	54.4087	36.6649	42.6257
India	(Indian Rupee)	54.36	28.379	19.124	22.2331
Indonesia	(Rupiah)	3878.70	2024.9	1364.54	1586.38
Iran	(Rial)	2717.0v	1418.43	955.849	1111.25
		121.36o	63 3516	42.6912	49.6319
Iraq	(Iraqi Dinar)	0.5936	0.3098	0.2088	0.2427
Irish Rep	(Punt)	1.0655	0.5562	0 3748	0.4357
Israel	(Shekel)	4.723	2.4656	1.6615	1.9316
Italy	(Lira)	2150.25	1122.55	756 464	879.448
Jamaica	(Jamaican $)	43.08	22.4902	15.1556	17.6196
Japan	(Yen)	244.50	127.643	86.0158	100
Jordan	(Jordanian Dinar)	1 2630	0.6593	0.4443	0.5165
Kenya	(Kenya Shilling)	62.2242	32.4845	21.8906	25.4495
Kiribati	(Australian $)	2.5850	1.3495	0.9094	1.0572
Korea North	(Won)	4.1291	2.1556	1.4526	1.6887
Korea South	(Won)	1497.22	781.634	526.726	612.36
Kuwait	(Kuwaiti Dinar)	0.5573	0.2909	0.196	0.2279
Laos	(New Kip)	1373.16	716.868	483.082	561.62
Lebanon	(Lebanese £)	3817.8	1993.11	1343.11	1561.47
Lesotho	(Maluti)	5.2957	2.7646	1.863	2.1659
Liberia	(Liberian $)	1.9155	1	0.6738	0.7834
Libya	(Libyan Dinar)	0.5114	0.2669	0.1799	0.2091
Liechtenstein	(Swiss Fr)	2.5150	1.3129	0.8847	1.0286
Luxembourg	(Lux Fr)	58.65	30.6186	20.6332	23.9877
Macao	(Pataca)	15 3463	8.0116	5.3988	6.2766
Madagascar	(MG Fr)	3074.38	1605	1081.58	1257.42
Madeira	(Port Escudo)	242.00	126.338	85.1363	98.9775
Malawi	(Kwacha)	7.48	3.9049	2.6314	3.0593
Malaysia	(Ringgit)	4.8015	2.5066	1.6891	1.9638
Maldive Is	(Rufiya)	19.7427	10.3068	6.9455	8.0747
Mali Rep	(CFA Fr)	479.625	250 392	168.734	196.166
Malta	(Maltese £)	0 5758	0.3006	0.2025	0.2355
Martinique	(Local Fr)	9.5925	5.0078	3.3746	3.9233
Mauritania	(Ouguiya)	155 3492	81.1011	54 6523	63.5375
Mauritius	(Maur Rupee)	28.6154	14.9388	10.0669	11.7036
Mexico	(Mexican Peso)	5767.80	3011.12	2029.13	2359.02
Miquelon	(Local Fr)	9.5925	5.0078	3.3746	3.9233
Monaco	(French Fr)	9.5925	5.0078	3.3746	3.9233
Mongolia	(Tugrik)	76.82	40.1044	27.0255	31.4192
Montserrat	(E Carr $)	5.1854	2.707	1.8242	2.1208
Morocco	(Dirham)	15.31	7.9926	5.3861	6.2617
Mozambique	(Metical)	5367.51	2802.15	1888.31	2195 3
Namibia	(S A Rand)	5.2957	2.7646	1.863	2.1659
Nauru Is	(Australian $)	2.5850	1.3495	0.9094	1.0572
Nepal	(Nepalese Rupee)	89.5529	46.7517	31.5049	36.6269
Netherlands	(Guilder)	3.2025	1.6718	1.1266	1.3098
N'nd Antilles	(A/Guilder)	3.4377	1 7946	1.2093	1.406
New Zealand	(NZ $)	3.5160	1.8355	1.2369	1.438
Nicaragua	(Gold Cordoba)	9.6025	5.013	3.3781	3.9274
Niger Rep	(CFA Fr)	479.625	250.392	168 734	196.166
Nigeria	(Naira)	35.414	18 45	12.4587	14.4842
Norway	(Nor. Krone)	11.1725	5.8326	3.9305	4.5695
Oman	(Rial Omani)	0 7334	0.3828	0.258	0.2999

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	47.55	24 8238	16.7282	19.4478
Panama	(Balboa)	1.9155	1	0 6738	0.7834
Papua New Guinea	(Kina)	1.84	0.9605	0.6473	0.7525
Paraguay	(Guarani)	2825.65	1475.15	994.072	1155.69
Peru	(New Sol)	2.36	1.232	0.8302	0.9652
Philippines	(Peso)	46.9562	24.5138	16.5193	19.2049
Pitcairn Is	(£ Sterling)	1.00	0.522	0.3518	0.4089
	(NZ $)	3.5160	1 8355	1.2369	1.438
Poland	(Zloty)	25983.00	13564.6	9140.9	10627
Portugal	(Escudo)	242.00	126.338	85.1363	98.9775
Puerto Rico	(US $)	1.9155	1	0.6738	0.7834
Qatar	(Riyal)	6.8931	3.5985	2.425	2 8192
Reunion Is. de la	(F/Fr)	9.5925	5.0078	3.3746	3 9233
Romania	(Leu)	697.93g	364.359	245.534	285.452
Rwanda	(Fr)	265.75	138.737	93.4916	108.691
St Christopher	(E Carr $)	5.1854	2.707	1.8242	2.1208
St Helena	(£)	1.00	0.522	0.3518	0.4089
St Lucia	(E Carr $)	5.1854	2.707	1.8242	2.1208
St Pierre	(French Fr)	9.5925	5.0078	3.3746	3.9233
St Vincent	(E Carr $)	5.1854	2.707	1.8242	2.1208
San Marino	(Italian Lira)	2150.25	1122.55	756.464	879.448
Sao Tome	(Dobra)	460.92	240.626	162.153	188 515
Saudi Arabia	(Riyal)	7.1441	3.7296	2.5133	2.9219
Senegal	(CFA Fr)	479.625	250.392	168.734	196.166
Seychelles	(Rupee)	9.5641	4.993	3.3646	3.9116
Sierra Leone	(Leone)	816.21	426.108	287.145	333.828
Singapore	($)	3.1027	1.6197	1.0915	1.2689
Solomon Is	($)	5.6370	2.9428	1.9831	2.3055
Somali Rep	(Shilling)	5031.71	2626.84	1770.17	2057.96
South Africa	(Rand)	5.2957c	2.7646	1.863	2 1659
		7.5557g	3.9445	2.6581	3.0902
Spain	(Peseta)	180.85	94 4139	63 6235	73.9672
Spanish Ports in N Africa	(Sp Peseta)	180.85	94.4139	63 6235	73.9672
Sri Lanka	(Rupee)	84.19	43.9519	29.6182	34.4335
Sudan Rep	(Dinar)	19.205	10.0261	6.7563	7.8548
Surinam	(Guilder)	3.4281	1.7896	1.206	1.402
Swaziland	(Lilangeni)	5.2957	2.7646	1.863	2.1659
Sweden	(Krona)	10.3150	5.385	3.6288	4.2188
Switzerland	(Fr)	2.5150	1.3129	0.8847	1.0286
Syria	(£)	38.89	20.3027	13.6816	15.9059
Taiwan	($)	47.95	25.0326	16 8689	19.6114
Tanzania	(Shilling)	611.30	319.133	215.057	250 02
Thailand	(Baht)	48.56	25.351	17.0835	19.8609
Togo Rep	(CFA Fr)	479.625	250.392	168 734	196.166
Tonga Is	(Pa Anga)	2.5850	1.3495	0.9094	1.0572
Trinidad/Tobago	($)	8.1621	4.261	2.8714	3 3382
Tunisia	(Dinar)	1.6049	0 8378	0.5646	0.6564
Turkey	(Lira)	13670.89	7136.98	4809.46	5591 37
Turks & Caicos	(US $)	1.9155	1	0.6738	0.7834
Tuvalu	(Australian $)	2.5850	1.3495	0.9094	1.0572
Uganda	(New Shilling)	2264.44	1182.17	796.637	926.151
U A E	(Dirham)	6.9961	3.6523	2.4612	2.8613
United Kingdom	(£)	1.00	0.522	0.3518	0.4089
United States	(US $)	1.9155	1	0.6738	0 7834
Uruguay	(Peso)	5953.39	3108.01	2094.42	2434.92
Vanuatu	(Vatu)	210.29	109.783	73.9806	86.0081
Vatican	(Lira)	2150.25	1122 55	756 464	879.448
Venezuela	(Bolivar)	128.86	67 2722	45.3333	52.7034
Vietnam	(Dong)	21451.99	11199 2	7546.87	8773 82
Virgin Is-British	(US $)	1.9155	1	0.6738	0.7834
Virgin Is-US	(US $)	1.9155	1	0.6738	0.7834
Western Samoa	(Tala)	4.729	2.4688	1.6636	1.9341
Yemen (Rep of)	(Rial)	30.824	16 0918	10.8439	12.6069
Yemen (Rep of)	(Dinar)	0.893	0.4661	0.3141	0.3652
Yugoslavia	(Dinar)	388.1991	202.662	136.57	158.773
Zaire Rep	(Zaire)	1224000.0	638998	430607	500613
Zambia	(Kwacha)	323.12	168.687	113.675	132.155
Zimbabwe	($)	9.5353	4.9779	3.3545	3.8999

Special Drawing Rights July 24, 1992 United Kingdom £0.752575 United States $1.44216 Germany D Mark 2.14377 Japan Yen182.294
European Currency Unit Rates July 27, 1992 United Kingdom £0.715884 United States $1.37643 Germany D Mark 2.04193 Japan Yen175.495

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; (L) Albania: Lek devalued by approx. 55% (1/7/92).
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, July 27, 1992

Chairman goes as Mosaic signals direction change

By Paul Cheeseright, Midlands Correspondent

THE BOARD of Mosaic Investments, the acquisitive mini-conglomerate based in Birmingham, has dismissed Mr Brian Disbury, its £130,000 a year executive chairman, and signalled a change in direction against a background of falling profits.

Yesterday it announced that pre-tax profits for the year ended April 30 had fallen from £7.56m to £4.24m. The decline was not unexpected as last March the group issued a profits warning and saw its share price lose 40 per cent of its value in a single day.

Yesterday the price remained at 95p, still hovering at the bottom of its 1992 trading range.

Mr Disbury was relieved of his position last Friday. "Compensation terms are still being discussed," the group said.

While a replacement for Mr Disbury is sought, Mr Greg Hutchings, a non-executive member of the board since 1987 – the year Mr Disbury became chief executive – will act as non-executive chairman. Mr Hutchings is the chief executive of Tomkins, also an aggressive but a much larger conglomerate.

The departure of Mr Disbury, allied to the closure or disposal of loss-making interests and the sale, earlier this month for £10.4m, of the group's engineering and automotive division to its management, showed that Mosaic had abandoned its policy of diverse growth.

The search for small niche companies operating in varied markets – a policy with which Mr Disbury was associated – is being replaced by a more focused approach concentrating on display and packaging products and specialised promotion services.

"What we are determined to do is to change direction in some respects," said Mr Leon Angrave, managing director. "If we were going to move forward and restore credibility with our friends in the City, we needed to be under different leadership," he added.

A group statement observed that a change in leadership had been necessary for some months. Mr Disbury, who had obviously been at odds with his board, refused yesterday to dwell on the situation: "Policy differences there might have been, but there are certain ways of going about things – that's all I'll say."

Mosaic was caught by the length of the recession. Mr Angrave acknowledged that the position deteriorated shortly after the announcement, last December, of the first half figures. Then the group talked of the rewards "of serving many different markets" and of its confidence in "a satisfactory outcome for the full year."

The first half accounted for over 75 per cent of the full year profits, which were generated on turnover of £48.6m (£42.8m). Earnings per share were halved to 16.26p (32.39p) but the dividend is held at 9.25p with a final of 5.5p.

Although Mosaic said that its current trading was "mixed" and there was no sign of sustained economic recovery, the sale of its engineering and automotive business had eliminated debt. Mr Hutchings said the group was now "in a position to face the continuing recession with resilience."

NEWS DIGEST

Heritage cuts losses to £177,000

HERITAGE, the USM-quoted household goods distributor, cut its pre-tax loss for the year to April 30 from £381,000 to £177,000.

Despite the depressed market it managed to increase turnover and margins in the second half. In the first three months of the present year turnover rose by a further 10 per cent and the company expects results to continue improving.

Turnover for the year was 4.2 per cent ahead at £11m (£10.5m). Over the year bank debt was cut by £826,000 and interest payments fell to £472,000 (£628,000). Losses per share came out at 3.29p (7.08p).

17.5% rise for RPS as margins improve

RPS Group, the environmental consultancy, saw pre-tax profits increase 17.5 per cent, from £302,000 to £355,000, in the first half of 1992.

The group reorganisation was almost complete. Margins rose substantially compared with the second half of 1991, although turnover fell from £4.6m to £3.73m. Profit last time was struck after exceptional charges of £121,000.

Progress in the second half would largely depend upon realisation of the full benefit of cost reductions and more efficient staff utilisation, thereby allowing margins to be raised further.

Earnings per share were 1.99p (1.64p) but the interim dividend is clipped to 1p (1.4p). On current projections the directors hoped to lift the total from the previous 2p.

Over the six months gearing was cut from 40 per cent to 15 per cent. Mr Brian Clouston, chairman, left the company as from yesterday as his contract had expired; Mr Roger Looker takes over the chair.

TR Smaller asset value increases

TR Smaller Companies Investment Trust lifted net asset value by 3.5 per cent. At May 31 1992 it had risen from 150.2p to 155.4p.

Of the portfolio, 73 per cent (67 per cent) was invested in the UK, 19 (21) per cent in the US, and 7 (10) per cent in Japan. Unquoted stocks represented 2.5 per cent.

A quarter of the holdings by number in the UK were in companies where the trust had a declarable holding, representing 20 per cent of the total portfolio.

Total income fell nearly 9 per cent to £13.3m. Earnings per share dropped 19 per cent to 3.49p (4.32p) but the dividend is again 3.7p with a final of 2.2p.

EFM Java asset value up 17%

Net asset value per ordinary share of EFM Java Trust stood at 30.03p at June 30, an improvement of 17 per cent over the 25.91p standing 12 months earlier.

For the half year to end-June the trust incurred an attributable loss of £27,000 (earnings £78,000). Losses per share were 0.0908p (earnings 0.261p).

Smaller Companies' rise in asset value

The Smaller Companies Investment Trust reported an increase in both revenue and net asset value at the half year ended June 30.

Net asset value rose to 89.16p, against 83.13p 12 months earlier, while income from investments rose from £320,000 to £368,000 and net revenue came out at £227,000 (£190,000).

Nonetheless, the company decided not to increase the interim of 1.2p as the rate of increase in revenue for the whole year is likely to be less than that of the first half.

Wardle Storeys increases capacity

Wardle Storeys, the plastics and safety equipment group, has acquired machinery from a Spanish PVC-coated fabrics manufacturer which had ceased production.

Wardle has paid about £1m for the plant which will be installed in the Earby factory of its technical products arm.

Mr Brian Lees, managing director of the division, said the acquisition would lead to improved production efficiencies and an improved range of products.

Russia makes further cut in harvest estimate

RUSSIA'S DEPUTY agriculture minister yesterday revealed a further cut in the republic's 1992 grain harvest estimate, reports Reuter from Moscow.

"Ministry of Agriculture experts believe that grain production will total 93m-94m tonnes," Mr Vladimir Shcherbak told a news conference. Initial estimates had put the crop total at between 104m and 108m tonnes, but that was cut to 98m tonnes two and a half weeks ago and subsequently to 96m tonnes. According to Russian statistics the 1991 harvest was 89.1m tonnes.

Mr Shcherbak blamed shortages of oil and lack of equipment and spare parts – traditional problems in the troubled agricultural sector – for the disappointing production figures, which in turn force reliance on expensive imports.

The London-based International Wheat Council expects Russia to import 19m tonnes of wheat and coarse grains in the 1992-93 season ending June 30, after 36.3m the previous year.

Last week Russian President Boris Yeltsin told citizens in the Siberian city of Omsk that he expected grain imports to total 10m tonnes in the coming year, after 25m this year.

Supplies held back

By Leyla Boulton and Dmitry Volkov in Moscow

THE RUSSIAN government yesterday expressed concern about the low level of grain deliveries to the state, saying that peasants had been holding back supplies in the hope of an increase in the official procurement price.

Mr Alexander Kudelia, deputy head of the Russian Committee for Grain Production, said that as of yesterday only about 1m tonnes had found their way into government stores, compared with 9m tonnes at the same time last year.

"The situation is serious but not catastrophic," he told a news conference. He said he believed that the peasants would stop hoarding their grain as a result of an announcement by President Boris Yeltsin last week that the procurement price would not be increased beyond the price obtained at private commodity exchanges. The commodity exchange price currently stands at Rbs10,000 a tonne for standard quality wheat.

A pick-up in procurement would in turn enable the government to meet its target of purchasing 29m tonnes by November. Last year it scraped together 22m tonnes, with a poorer harvest than that expected this year.

Mr Kudelia said that he expected grain imports from other former Soviet republics and the world at large to total between 16 and 19m tonnes, which he described as an average level for previous years. This year's import would included 3m tonnes already promised by Kazakhstan.

Poland likely to import more as crop tumbles

By Christopher Bobinski in Warsaw

POLAND IS likely to turn to world grain markets next year for additional wheat in the wake of a harvest that could fall to 21.2m tonnes, nearly a quarter down on last year's 27.8m tonne yield.

The low result predicted for this year by the Central Statistical Office follows a serious drought in May and June. There has also been a big decline in fertiliser usage and a 4.6 per cent fall in the area of land sown with grain this year.

The resulting purchases abroad could be between 1m and 2m tonnes of wheat and maize. Last year Poland imported a mere 100,000 tonnes of grain compared to the 2m to 3m traditionally imported in the 1980s and a record 8m tonne worth of purchases abroad in 1979.

This time Poland can be expected to turn to the European Community, on which Poland imposes a 10 per cent grain import tariff compared to a 20 per cent duty on grain brought in from elsewhere. Polish grain traders, led by Rolimpex, the largest potential purchaser, caution, however, that this year's harvest could be as high as 24m tonnes.

Ghana points the way along Africa's golden road

Kenneth Gooding on growing interest in the mining potential of the continent's sub-Saharan region

A US$165m syndicated loan is at present being finalised that should enable Ashanti Goldfields Corporation of Ghana to expand production and join the relatively exclusive band of companies that each produce more than 1m troy ounces of gold a year.

Ashanti's production boost is part of a gold mining renaissance in Ghana since a new Minerals Code was enacted in 1986, together with incentives and tax arrangements that the mining industry considers very reasonable.

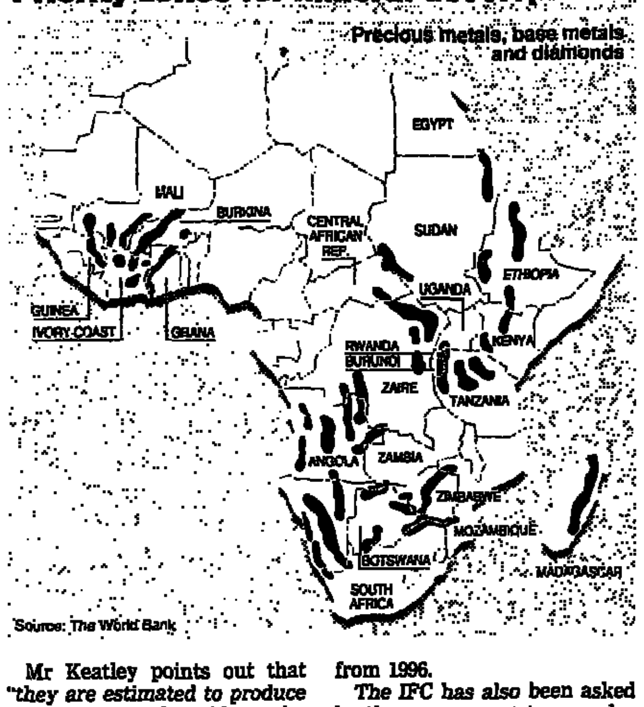
Ghana's gold production has jumped from an annual eight tonnes in the early 1980s to 18 tonnes last year.

"Given the outstanding geology and well-organised institutional environment, it is quite conceivable that by 1996 Ghana could be producing between 45 and 50 tonnes of gold a year," suggests Mr Mark Keatley, senior investment officer at the International Finance Corporation, an affiliate of the World Bank.

Not only that, he says, sub-Saharan Africa (which excludes the Arab countries of North Africa as well as South Africa) has the potential to produce about 165 tonnes of gold a year – nearly double last year's 84 tonnes and almost as large as Canada's present output.

Past production figures are bound to be distorted, however, because nearly 40 per cent of sub-Saharan African gold production is by small-scale miners, highly entrepreneurial people known variously as artisans, galampsey or pailleurs.

Priority zones for mineral development



Source: The World Bank

Mr Keatley points out that "they are estimated to produce almost as much gold as the entire country of Chile and quite possibly much more that is not reflected in the official statistics".

At least ten African countries produce gold but about two-thirds of total output is from three countries: Ghana, Zimbabwe and Zaire.

Ashanti Goldfields, which is 45 per cent owned by Lonrho, the UK-based conglomerate, with the rest in government hands, is Ghana's gold standard bearer. It produced 569,475 ounces last year and expects to move up to 670,000 in 1992 and to sustain 1m ounces a year from 1996.

The IFC has also been asked by the government to organise the return of Ashanti to the international stock markets and this will be done "when suitable equity market conditions obtain", says Mr Keatley.

Drawing on the IFC's investment activities in the area and research by the African Mining Unit of the World Bank, Mr Keatley prepared a paper for the recent Financial Times World Gold Conference outlining sub-Saharan Africa's gold potential. He pointed out that much of Africa had the right type of geology for successful gold mining but not every one of its 44 countries had the right "enabling environment", by which he meant infrastructure, legal systems, official policies and institutional development.

Ghana was an example of what was possible with the right enabling environment, Mr Keatley suggested. Since 1986 it had yielded three new world-class gold mines in the Tarkwa basin: Billiton's Bogosu mine producing three tonnes a year; the Terebie mine a similar amount; and the Iduapriem mine, majority owned by Golden Shamrock Mines of Australia, three to four tonnes a year.

Elsewhere in western Africa, Mali had recently introduced a Mining Code based to some extent on that of Ghana. In Mali Broken Hill Proprietary of Australia brought a new gold mine into operation in 1990 which is producing an annual 3 tonnes. This would be expanded to 6 tonnes by 1994 under an expansion project in which the IFC is involved, said Mr Keatley.

A serious effort was being made to promote another western African country, Burkina, to international mining companies. "That country should be regarded as a priority exploration target," he said.

Southern Africa's biggest gold producing country is Zimbabwe, which produced almost 18 tonnes of gold last year. Mr Keatley said the country had an exceptionally well-developed infrastructure for the mining industry and it had more than 100 mines.

At one end of the scale were mines such as that operated by Lonrho, with output of more than five tonnes of gold a year, and Cluff Resources, Falcon Gold and RTZ, each producing two or three tonnes annually. In contrast many small mines were producing just over 100 kg each a year.

Zimbabwe was the only country in sub-Saharan Africa that offered gold mining companies a realistic chance of financing growth through a local stock market. During the past two years Cluff and Falcon had raised the equivalent of $15m by share offerings to finance mine developments.

Other gold-producing countries in southern Africa are Namibia, where the first gold mine opened in 1989, and Madagascar. But the country estimated to have the highest potential was Mozambique. In the Manica area of Mozambique alone there were more than 40 abandoned gold mines with a resource base estimated at more than 50 tonnes.

Zaire, in east-central Africa, had two gold-bearing provinces. One in its north east corner has been worked for its gold for two millennia. It might have been a source of gold for Egypt in ancient times. "It is not implausible that the gold of the Pharaohs was brought down the Nile from this source," Mr Keatley pointed out.

In more recent times this gold area had been neglected. Most of it was leased by the Zaire state gold miner, Okimo, which had not invested much in exploration or development. However, last year the government agreed to sub-lease part of the concession to a South African/Belgian consortium. This joint venture – in which the IFC is a founding shareholder – would eventually produced 2.5 tonnes of gold a year and estimated that sustainable annual output of 14 tonnes could be achieved in five years.

The other Zaire gold region, containing the deposits of Twangiza and Namoya, was very difficult to operate in, Mr Keatley pointed out. "Supplies have to be trucked for two to six weeks through East Africa to reach the mining areas. Hydro-electric power stations have been installed in the mountains but in general the infrastructure is poor.

"On top of these physical constraints, Zaire is presently in the throes of a political and economic crisis unparalleled in its history. All central institutions have practically collapsed. So investors interested in these vast resources need to be well-organised and patient."

Elsewhere in east-central Africa, while countries such as Burundi, Tanzania, Kenya and Ethiopia have known geological potential, very little commercial-scale gold mining is going on.

Mr Keatley suggested that the end of the Cold War, which had devided many African nations into two ideological camps and lead to distortions in economic policies, was very positive. Also, the more relaxed international scene enabled South African mining houses to export their expertise to other parts of Africa.

However, there was much catching up to be done because during the 1980s total exploration expenditure in sub-Saharan Africa was only about $100m a year – "a major under-investment by all yardsticks".

Finnish group rules out offer for Avonmouth smelter

By Kenneth Gooding, Mining Correspondent, in Kokkola, Finland

OUTOKUMPU, the state-owned Finnish mining and metals group, has ruled out making an offer for the Avonmouth zinc smelter in the UK which was put up for sale in March.

Mr Erik Nyholm, president of Outokumpu Zinc, said Pasminco, the Australian company, had chosen the wrong time to dispose of Avonmouth because there was too much zinc production capacity, particularly in Europe.

The market would not be in supply-demand balance until 1993 at the earliest.

Outokumpu was also worried about possible pollution clean-up charges associated with the UK smelter – although he admitted his company had not looked very closely at that situation.

Copper production in the first-half of 1992 at Codelco, Chile's state-owned copper corporation, rose to 572,618 tonnes copper, from 564,473 tonnes in the same period last year, Mr Alejandro Noemi, the chief executive, said at the weekend, reports Reuter from Santiago. "First-half fine copper production topped projections by 4.4 per cent and topped first-half 1991 production by 1.4 per cent, despite declining ore grades," he said.

Avonmouth is the UK's only zinc smelter. Pasminco recently completely a £10m programme there that expanded its annual capacity to 105,000 tonnes of zinc and 50,000 tonnes of lead bullion. However, Pasminco has decided to sell Avonmouth and its other European assets to reduce debt and to focus on its operations in Australia.

Mr Nyholm pointed out that about 140,000 tonnes of annual zinc production capacity had been closed down in Europe recently but the industry had been surprised when Nuova Samim had abandoned plans to close its 100,000 tonnes-a-year Crotone smelter in Italy. Samim would keep it operating while building a new 120,000 tonnes smelter. "If Crotone had closed, the market would be in balance," said Mr Nyholm. "The new Italian smelter makes no sense - it will simply lose more money than the old one. This is expensive politics."

Mr Nyholm said that the technical squeeze on the London Metal Exchange's zinc market was not helping the industry. Contracts all over the world were linked to the LME price which, because of the squeeze, was at present about $200-a-tonne too high. These artificially-high prices were delaying closure of uneconomic capacity.

Mr Nyholm said Outokumpu had complained privately about the squeeze to the LME board. He said the LME should make up its mind whether it wanted to be a market for consumers and producers or one for speculators.

As long as the technical instruments were available for speculators to play the market, manipulation would continue. As long as there were traders wanting to make short-term profits, manipulation would continue, he added.

However, it was not possible to fight the fundamental market situation for ever and eventually the price might collapse. "We expected the price to collapse this summer but instead the squeeze goes on to October."

Outokumpu Zinc, which owns Tara, in Ireland, Europe's biggest zinc mine, and a smelter at Kokkola, was just about breaking even at today's LME prices and a weak dollar, he said. Tara produced 187,500 tonnes of zinc in concentrates last year while the Kokkola smelter produced 170,400 tonnes of refined zinc. This year, Kokkola is scheduled to produce 168,000 tonnes following a two-week closure for essential maintenance work.

Mr Nyholm pointed out that the world consumed about 6m tonnes of zinc a year, compared with 200,000 tonnes of excess capacity today. "So as soon as demand picks up the surplus will quickly disappear," he said.

Barbadian sugar at 60-year low

By Canute James in Kingston, Jamaica

THE 1992 Barbadian sugar harvest has produced 54,500 tonnes, down 17 per cent from last year but enough to satisfy its annual European Community quota of 54,000 tonnes, according to officials in the sugar industry.

This year's output is the lowest for the industry in the past 60 years. However, Mr David West, managing director of Barbados Sugar Industry Ltd, the island's sole producer, said the yield was a "remarkable achievement" following a series of strikes and poor weather during harvesting.

The cut has left the industry unable to satisfy its 7,000-tonne US quota and home demand of 12,000 tonnes has been covered this year by imports from Guatemala and Trinidad.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices yesterday continued the downtrend that set in late last week at the London Metal Exchange, with the cash price closing £13 down at £1,327.50 a tonne. However, most of the fall was attributable to sterling's firmness against the dollar. Dealers noted that the three months price held just above expected support at the equivalent of $2,540 a tonne. Earlier the market was boosted by news that Polish copper workers planned to step up their strike action and the three months price reached $2,562 a tonne in the morning. Three months **TIN** came under heavy pressure in afternoon trading and closed $110 down on the day at $6,932.50 a tonne, in the process moving from a $27.50 premium over the cash price to a $62.50 discount and breaching key support at $7,000 a tonne. With charts weak further declines seemed to be on the cards, dealers said. **PLATINUM** continued on the downswing of its recent price pendulum, with the afternoon fixing at $377.50 a tonne, down $2.85 on the day and only 25 cents above last week's three-week low. The price rallied in later trading but dealers thought it could slip back to test support at $375 and then $372 before rebounding.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$18.35-8.40	-0.075
Brent Blend (dated)	$20.55-0.60	-0.05
Brent Blend (Sep)	$20.55-20.60	-0.05
W.T.I (1 pm est)	$21.85-1.95	-0.075
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$225-228	-2
Gas Oil	$185-187	-3
Heavy Fuel Oil	$86-88	
Naphtha	$195-197	-2
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$358.00	+0.55
Silver (per troy oz)♣ §§	398.0c	+2.00
Platinum (per troy oz)	$377.50	-2.85
Palladium (per troy oz)	$89.40	+0.16
Copper (US Producer)	119.6c	-0.10
Lead (US Producer)	38.9c	
Tin (Kuala Lumpur market)	17.28r	-0.02
Tin (New York)	325.5c	-2.00
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	111.97	-0.40*
Sheep (live weight)†♠	74.22p	-4.76*
Pigs (live weight)†	83.83p	-3.96*
London daily sugar (raw)	$272.0w	-0.6
London daily sugar (white)	$300.0w	+1.0
Tate and Lyle export price	£251.00	-1.0
Barley (English feed)	£110.00w	
Maize (US No. 3 yellow)	£151.0	+1
Wheat (US Dark Northern)	Unq	
Rubber (Aug)♥	50.75	-0.25
Rubber (Sep)♥	50.75p	-0.25
Rubber (KL RSS No 1 Jul)	221.0r	
Coconut oil (Philippines)§	$490.0t	-10
Palm Oil (Malaysian)§	$370.0y	-10
Copra (Philippines)§	$340.0	
Soyabeans (US)	£135.00	+1
Cotton "A" index	64.90c	-0.2
Wooltops (64s Super)	383p	+2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Sep/Oct w-Jul/Aug y-Sep z-Aug. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg ♠Sheep prices are now live weight prices. §§Correction for 16/7/92 394.0c

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Aug	240.80	240.60	241.00	240.80
Oct	221.80	222.00	222.00	221.80
Dec	204.20	206.00	204.20	204.00
Mar	211.00	211.60	211.00	
Aug	206.00	206.00	206.00	
White	Close	Previous	High/Low	
Oct	274.00	274.70	274.50	274.00
Dec	269.40	269.50	269.40	269.40
Mar	274.00	274.00	274.00	274.00

Turnover: Raw 130 (116) lots of 50 tonnes. White 52 (428) Paris- White (FFr per tonne): Oct 1385.54 Dec 1375.80

CRUDE OIL – IPE			$/barrel	
	Close	Previous	High/Low	
Sep	20.73	20.71	20.74	20.46
Oct	20.67	20.64	20.68	20.40
Nov	20.56	20.51	20.43	20.35
Dec	20.44	20.42	20.34	20.27
Jan	20.25	20.30	20.20	20.13
Feb	20.08	20.13	20.08	20.04
IPE Index	20.70	20.54	20.70	

Turnover 20502 (36349)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Aug	188.25	190.25	188.75	187.25
Sep	190.25	191.75	190.50	188.75
Oct	192.50	194.00	192.50	191.25
Nov	194.25	195.75	194.00	193.00
Dec	195.50	197.00	195.50	194.25
Jan	193.75	195.75	194.60	193.00
Feb	189.50	192.00	189.50	
Mar	185.25	187.00	185.25	

Turnover 10055 (12064) lots of 100 tonnes

TEA

There was more general demand, reports the Tea Brokers' Association. Landed brightest liquoring and good medium East Africans well supported at dearer rates with lesser mediums also strong at 3-5p dearer. Plain descriptions and most Central African teas met limited interest while Ceylons attracted fair competition. Offshore Kenya oil teas were mainly firm, Central Africans met limited support. Fob teas from Mauritius remained about steady at last rates. The highest price this week was 161p for one Kenya and two Rwanda or 1 Quotations: quality 160p/kg, good medium 135p/kg, medium 115p/kg, low medium 83p/kg.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Jul	608	590	590	
Sep	610	612	623	610
Dec	638	640	652	637
Mar	667	669	680	666
May	685	687	695	693
Jul	703	705	710	708

Turnover: 4763 (5432) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 24 777.62 (767.18) 10 day average for Jul 27 755.69 (757.10)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Jul	706	735	728	714
Sep	730	753	753	721
Nov	747	767	768	740
Jan	765	785	785	760
Mar	782	799	800	778
May	799	818	800	799
Jul	815	840	814	

Turnover 5143 (1866) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 27: Comp. daily 49.05 (49.75) 15 day average 49.41 (49.33)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	69.5	69.5	69.5	69.0

Turnover 25 (42) lots of 20 tonnes

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Dec	120.00	118.80	120.00

Turnover 75 (25) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Jul	1096	1089	1095	1090
Aug	1108	1110	1111	1105
Sep	1148	1146	1150	1145
Oct	1300	1220	1300	
BFI	1093	1074	1093	

Turnover 135 (288)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Sep	112.35	112.15	112.35	
Nov	115.30	115.45	115.85	115.30
Jan	119.00	119.10	119.35	119.00
Mar	122.50	122.25	122.50	
May	125.00	125.00	125.40	125.00
Jun	126.75	-	126.75	
Barley	Close	Previous	High/Low	
Sep	109.35	110.25	110.00	109.35
Nov	113.00	113.80	113.50	113.00
Jan	117.00	-	117.00	

Turnover: Wheat 142 (167), Barley 45 (55).
Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg	
	Close	Previous	High/Low
Oct	104.2	104.0	104.5 104.2

Turnover 8 (1) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 36,617 lots	
Cash	1344.5-5.5	1337-8		1343.5-4.5		
3 months	1368-9	1360-0.5	1373/1367	1367-7.5	1369-70	174,885 lots
Copper, Grade A (£ per tonne)					Total daily turnover 40,576 lots	
Cash	1327-8	1340-1	1321.5/1321.5	1321.5-2.0		
3 months	1350-1	1361-2	1360/1345	1344-4.5	1349-50	137,366 lots
Lead (£ per tonne)					Total daily turnover 7,209 lots	
Cash	340-1	341.5-2.5	337.25/337.25	337.25-.75		
3 months	350.5-1.5	352.5-3.0	351/348	349-9.5	353-4	27,894 lots
Nickel ($ per tonne)					Total daily turnover 3,779 lots	
Cash	7575-85	7555-65		7540-5		
3 months	7640-5	7620-5	7680/7610	7612-5	7625-30	24,315 lots
Tin ($ per tonne)					Total daily turnover 2,167 lots	
Cash	6890-900	7010-20		7000-10		
3 months	6930-5	7040-5	7040/6870	7030-40	6860-70	12,128 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 18,573 lots	
Cash	1342-3	1340-1		1338-9		
3 months	1354-5	1355-6	1362/1352	1352-3	1364-5	71,464 lots

LME Closing £/$ rate:
SPOT: 1.9165 3 months: 1.8854 6 months: 1.8581 9 months: 1.8315

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	357.85-358.15	
Opening	357.80-358.20	
Morning fix	358.00	186.701
Afternoon fix	358.40	186.569q
Day's high	358.40-358.70	
Day's low	357.50-357.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.68	6 months	2.70
2 months	2.69	12 months	2.74
3 months	2.69		

Silver fix	p/troy oz	US cts equiv
Spot	207.67	398.00
3 months	212.10	400.55
6 months	217.74	404.05
12 months	228.04	412.35

GOLD COINS	$ price	£ equivalent
Krugerrand	357.00-359.00	187.00-189.00
Maple leaf	368.35-370.70	-
New Sovereign	85.00-87.00	45.00-47.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1300	66	98	5	18
1350	32	66	22	35
1400	12	41	52	60
Copper (Grade A)	Calls		Puts	
2550	53	74	45	99
2600	32	55	73	129
2650	17	39	109	163
Coffee	Sep	Nov	Sep	Nov
700	39	9	66	20
750	13	33	38	42
800	3	73	21	75
Cocoa	Sep	Dec	Sep	Dec
575	38	4	74	11
600	21	11	57	19
625	10	25	42	29
Brent Crude	Sep	Oct	Sep	Oct
2000	59		15	38
2050	29			
2100	13			

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jul	357.9	359.3	0	0
Aug	358.1	359.5	358.7	357.7
Sep	358.9	360.3	0	0
Oct	359.9	361.2	360.6	359.6
Dec	361.9	363.2	362.6	361.5
Feb	363.8	365.1	364.1	363.7
Apr	365.6	366.9	365.8	365.8
Jun	367.5	368.8	367.8	367.8
Aug	369.5	370.8	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	381.2	385.8	0	0
Oct	378.5	383.1	380.9	378.2
Jan	376.5	380.6	378.5	377.0
Apr	376.5	380.6	0	0
Jul	377.5	381.6	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jul	394.7	396.6	394.5	394.5
Aug	395.3	397.3	0	0
Sep	396.3	398.3	397.5	396.0
Dec	400.4	402.4	401.5	400.0
Jan	401.9	403.9	0	0
Mar	404.8	406.8	405.0	405.0
May	407.7	409.7	0	0
Jul	410.4	412.5	0	0
Sep	413.3	415.4	0	0
Dec	417.9	420.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	114.60	115.05	115.00	114.45
Aug	114.75	115.30	114.75	114.75
Sep	114.75	115.30	115.20	114.45
Oct	114.35	114.85	0	0
Nov	114.15	114.65	0	0
Dec	114.10	114.60	114.35	113.85
Jan	113.80	114.05	0	0
Feb	113.15	113.60	0	112.90
[illegible]	[illegible]	[illegible]	[illegible]	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Sep	22.04	21.98	22.06	21.74
Oct	21.94	21.88	21.96	21.66
Nov	21.84	21.78	21.87	21.58
Dec	21.74	21.69	21.75	21.46
Jan	21.60	21.54	21.57	21.38
Feb	21.45	21.39	21.43	21.23
Mar	21.30	21.24	21.30	21.07
Apr	21.16	21.10	21.12	21.02
May	21.04	20.98	21.00	20.93
Jun	20.92	20.86	20.75	20.70

HEATING OIL 42,000 US galls, cents/US galls				
	Close	Previous	High/Low	
Aug	62.41	62.35	62.50	61.25
Sep	62.91	62.84	63.00	61.85
Oct	63.74	63.64	63.80	62.60
Nov	64.57	64.44	64.50	63.40
Dec	65.27	65.18	65.30	64.20
Jan	65.37	65.28	65.15	64.30
Feb	64.22	64.13	63.80	63.45
Mar	61.72	61.63	61.25	61.10
Apr	59.42	59.33	59.00	58.75
May	57.67	57.58	57.67	57.00

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Sep	1012	1023	1040	1007
Dec	1072	1081	1095	1068
Mar	1121	1130	1140	1115
May	1150	1159	1167	1155
Jul	1180	1189	0	0
Sep	1210	1219	1225	1225
Dec	1245	1254	0	0
Mar	1283	1292	0	0
May	1311	1320	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	56.10	60.10	59.40	56.00
Dec	59.00	62.45	61.75	58.90
Mar	61.80	64.90	64.00	61.70
May	66.00	69.00	68.00	66.00
Jul	68.00	71.10	69.90	68.00
Sep	70.10	73.15	72.00	70.10
Dec	73.70	76.10	75.10	73.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	10.03	9.92	10.07	9.92
Mar	9.63	9.57	9.68	9.55
May	9.58	9.51	9.60	9.47
Jul	9.50	9.47	9.54	9.50
Oct	9.38	9.35	9.40	9.40

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	62.07	62.86	62.70	62.05
Dec	60.74	61.60	61.40	60.70
Mar	61.78	62.62	62.40	61.76
May	62.65	63.40	63.00	62.65
Jul	63.31	63.65	63.70	63.37
Oct	63.01	63.35	63.15	63.15
Dec	63.25	63.31	63.30	63.30

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	117.05	118.45	117.25	115.25
Nov	112.85	112.45	113.00	111.50
Jan	111.90	111.45	111.50	110.55
Mar	112.00	111.70	112.00	110.90

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jul.27	Jul 24	mnth ago	yr ago
1587.7	1570.1	1585.9	1721.6

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jul.24	Jul 23	mnth ago	yr ago
Spot	118.25	117.97	119.05	121.27
Futures	118.70	118.94	119.98	123.50

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Aug	555/0	553/2	558/2	561/6
Sep	555/2	553/2	558/4	551/0
Nov	557/2	555/2	561/4	553/2
Jan	564/6	562/4	568/0	560/2
Mar	573/0	570/6	576/0	568/4
May	579/0	577/2	582/0	575/0
Jul	583/0	581/2	586/4	579/4
Aug	582/4	581/4	585/4	581/4
Nov	578/0	578/6	581/0	575/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Aug	18.81	18.71	18.90	18.67
Sep	18.99	18.87	19.10	18.82
Oct	19.15	19.06	19.25	18.99
Dec	19.46	19.36	19.58	19.28
Jan	19.61	19.51	19.72	19.46
Mar	19.90	19.80	20.02	19.75
May	20.20	20.09	20.27	20.06
Jul	20.45	20.30	0	0
Aug	20.55	20.40	0	0
Sep	20.60	20.45	20.60	20.40

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Aug	172.5	172.3	173.0	171.7
Sep	173.4	173.1	173.8	172.6
Oct	188.9	189.1	189.7	188.5
Dec	188.1	188.1	188.7	187.1
Jan	187.5	188.0	188.2	186.8
Mar	187.1	187.0	187.4	185.8
May	185.7	186.0	186.5	185.5
Jul	186.0	186.0	187.0	186.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	222/2	221/0	223/0	219/6
Dec	226/6	225/4	227/4	224/2
Mar	235/2	234/0	236/0	232/6
May	240/2	239/2	241/4	238/2
Jul	244/4	243/2	244/6	241/6
Sep	243/4	243/0	243/6	242/0
Dec	243/4	243/0	244/2	241/6

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	335/6	338/2	338/2	334/0
Dec	344/6	345/2	347/4	342/4
Mar	349/4	348/2	350/4	346/0
May	343/0	340/0	344/4	340/0
Jul	326/6	326/0	327/4	324/0
Sep	331/0	330/0	0	0
Dec	340/0	338/0	340/0	340/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	72.550	72.925	73.275	72.350
Oct	72.575	72.700	73.175	72.175
Dec	71.150	71.175	71.600	70.900
Feb	70.925	70.650	71.450	70.450
Apr	72.025	71.725	72.450	71.500
Jun	69.100	68.900	69.600	68.900
Aug	68.050	67.600	68.700	67.600

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Aug	42.575	43.150	43.100	42.350
Oct	38.075	38.475	38.375	38.000
Dec	40.375	40.150	40.400	39.850
Feb	41.425	41.225	41.475	41.050
Apr	40.050	39.900	40.050	39.600
Jun	45.400	45.400	45.400	45.200

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Aug	28.675	29.200	29.300	28.225
Feb	38.400	38.350	38.950	38.050
Mar	38.150	38.475	38.600	37.700
May	39.700	39.700	39.700	39.050
Jul	40.000	39.700	43.000	40.000
Aug	38.350	38.250	38.450	38.350

LONDON STOCK EXCHANGE

Poor start to the new trading account

By Terry Byland, UK Stock Market Editor

A DAY which had dawned hopefully for UK investors ended unhappily with the FT-SE Index down nearly 30 points to close below the important 2,350 mark yesterday for the first time in seventeen months. The Wellcome share sale, on which so much market confidence had been focused, disappointed many traders, although they felt obliged to admit that the Wellcome Trust had been successful in its sale of 270m shares at its stipulated price of 800p.

Equities opened the first day of the new trading account steadily, reflecting the easing in Middle East tensions as Iraq acceeded to United Nations' requests. Also encouraging was the Bank of Japan's reduction in its discount rate in order to stimulate the economy. With the Wellcome sale negotiations apparently concluded successfully over the weekend, equities held around Friday's levels in the first half hour of dealing.

This early confidence was undermined when dealing in the newly-offered Wellcome shares started at 8.30am. The first trades showed Wellcome at 825-830p but the price crumbled as the stock was, "kicked straight out," to quote the head trader at one large non-UK securities house. Wellcome traded below the 800p sale price on several occasions during the session, scraping home to finish the session at 800¼p, about 3 per cent down on Friday's price.

Account Dealing Dates		
*First Dealings:		
Jul 27	Aug 10	Aug 24
Option Declarations:		
Aug 6	Aug 20	Sep 3
Last Dealings:		
Aug 7	Aug 21	Sep 4
Account Day:		
Aug 17	Sep 1	Sep 14

*New time dealings may take place from 8.30 am two business days earlier.

The rest of the equity market then began to react to more pessimistic developments, either announced or believed to be in the pipeline. A Financial Times survey of the building contractor industry, indicating the worst recession for half a century, dealt a fresh blow to confidence. There was widespread belief that the latest survey of industrial opinion from the Confederation of British Industry, due this morning, will also emphasise the negative mood.

The cut in Japanese discount rate failed to stimulate the Tokyo market, where the Nikkei Average shed another 124 points.

The London market continued to fall virtually thoughout the session, and an attempted rally was thwarted when an early gain in sterling was trimmed in late dealings.

The final reading put the FT-SE Index at 2,348, down 29.2 and effectively at the day's low point. Some dealers described themselves as "bemused" to see Wellcome shares struggling to hold on to the 800p mark and spoke of a "very disappointing performance."

However, other strategists suggested that the gloom might have been overdone yesterday and that, with the Wellcome sale now safely out of the way, the stock market could stage a recovery if global developments turned more positive.

Seaq volume was swollen by the offer from BZW, the UK investment bank and market-maker, to accept other UK stocks as payment for the new Wellcome shares.

Errors in reporting some of these trades caused temporary confusion, but the Stock Exchange said that the day's final Seaq total of 563.9m shares was correct; the total compared with 495m on Friday, worth £977.5m in terms of retail or customer business.

FINANCIAL TIMES STOCK INDICES

	July 27	July 24	July 23	July 22	July 21	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.17	89.18	89.18	89.21	89.19	84.92	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.84	105.80	105.78	105.74	105.69	94.03	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ●	1767.0	1789.1	1808.1	1803.0	1831.0	2011.3	2149.7 (22/5)	1767.0 (27/7)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	90.5	93.1	93.6	93.3	96.7	187.3	160.6 (10/1)	83.6 (8/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2348.0	2377.2	2399.5	2387.9	2415.6	2595.0	2737.8 (11/5)	2348.0 (27/7)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1087.01	1088.40	1094.87	1095.41	1109.52	1170.50	1248.79 (11/5)	1087.01 (27/7)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord Div. Yield	5.25	5.17	5.11	5.11	5.04	4.71				
●Earning Yld %(full)	7.80	7.48	7.39	7.40	7.26	8.09				
●P/E Ratio(Net)(☆)	16.57	16.84	17.03	17.02	17.35	15.28				
SEAQ Bargns 5.00pm	18,956	22,099	19,583	18,612	20,485	32,474				
Equity Turnover(£m)†	-	977.5	976.0	715.9	884.1	1030.38				
Equity Bargains†	-	25,048	22,120	20,185	22,239	33,162				
Shares Traded (ml)†	-	431.5	490.9	339.9	378.4	448.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Base 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.45

Ordinary Share Index, Hourly changes — Day's High 1788.1 — Day's Low 1766.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1787.3	1781.6	1779.6	1768.0	1772.5	1770.8	1768.9	1768.7	1766.2

FT-SE 100, Hourly changes — Day's High 2376.3 — Day's Low 2347.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2375.4	2369.7	2364.4	2348.9	2353.3	2353.2	2350.6	2350.5	2350.6

FT-SE Eurotrack 200, Hourly changes — Day's High 1087.07 — Day's Low 1082.25

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1086.90	1083.80	1082.25	1085.28	1086.18	1086.08	1086.31

GILT EDGED ACTIVITY

Indices*	July 24	July 23
Gilt Edged Bargains	83.1	136.2
5 – Day average	97.2	99.0

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times

Wellcome deals disappoint

AN AIR of disappointment pervaded the Wellcome share sale yesterday as the syndicate of backers to the issue struggled to hold the stock above the 800p strike price in busy trading of 23.7m shares.

At first, German, and then some Japanese institutions were said to be unloading stock, although US activity later in the day was said to have brought some stability.

Wellcome opened at 826p, before the 270m shares sold by Wellcome Trust came to the market at 800p. The share price went into freefall, being marked down to 807p within 15 minutes, and finally ending the day languishing fractionally above the issue price, at 800½p.

Observers remained divided over how the price will fair over the coming days. Robert Fleming, Wellcome's broker and administrator of the issue, is operating a stabilisation operation. However, further weakness in the equity market could stretch Fleming's nerve and force the price down.

One helpful note about the drugs sector came from Kleinwort Benson, which yesterday turned positive on the prescription drugs groups, believing them to have reached a level where they offer "fundamental value" to investors. Glaxo firmed a penny to 706p and SmithKline Beecham 7 to 456p.

Lasmo sceptics

A suggestion in the weekend press that Shell may be lining up a bid for Lasmo, the troubled oil and gas exploration and production group, saw the shares race ahead in spite of general scepticism by analysts.

Specialists said a bid from Shell was unlikely and that the shares had responded more to a growing feeling that Lasmo may maintain its interim dividend when reporting half-year figures tomorrow. They also pointed to two encouraging drilling reports announced last week.

Assessing the chances of a Shell bid, one analyst said such a move would not tie in with the group's culture and noted that Shell is already committed to a $65bn capital expenditure programme over the next five years.

British Gas, which launched an unsuccessful "dawn raid" on Lasmo in the late 1980s, was viewed as much more likely to make a bid. Lasmo touched 135p before closing 15 up at 132p, leaving the stock as the market's best individual performer of the day.

Allied-Lyons dipped 9 to 605p as the company declined to comment on speculation that it is discussing a takeover or joint venture involving Martini & Rossi, via the vermouth group's Luxembourg-based private holding company, The General Beverage Company.

Analysts pointed out, however, that Allied has debts of about £1.9bn and that a rights issue might be required to make an acquisition on this scale. Martini & Rossi is estimated to be worth about £1bn and a joint venture is, therefore, considered more likely.

Dealers reported very heavy trading in BTR. One securities house was said to have bought a block of 4.2m shares at 405p and placed them in the market at a 5p premium. Turnover totalled 10m shares.

Trafalgar House, the conglomerate, suffered from stories suggesting that the group may cut its dividend because of sharply reduced profits. The shares, heavily sold last week, closed 6 weaker at 57p after turnover of 3m.

Stakebuilding stories continued to circulate around Mirror Group Newspapers shares, which maintained their record of progressing on every trading session since the relisting last Friday week. The price ended 2 higher at 74p, having touched 74½p. Turnover remained heavy, reaching 5.8m shares. Dealers eagerly await responses to a series of Section 212 notices, regarding share ownership, served on a number of broking firms in recent days.

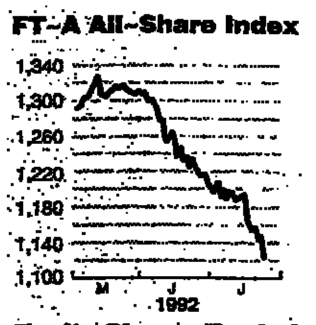
Several other media stocks fell sharply, with dealers blaming the sector's depression on a dismal UK economic outlook. Pearson finished 11 lower at 337p, after 334p, on relatively high turnover of 2.7m shares. United Newspapers slipped 6 to 376p and Telegraph 2 to 275p. Reuters dropped a further 25 to 986p on 1.8m traded, while Reed International weakened 19 to 478p.

The takeover rumours surrounding Lasmo prompted support for Enterprise Oil, which put on 2 to 329p. The oil leaders, however, continued to decline, BP easing 2 to 205p and Shell, still weakened by the County NatWest profits downgrade last week, losing 7 to 451p.

Utilities, traditional beneficiaries of a falling equity market, were also under pressure, dealers reporting a general lack of confidence and a number of unusually large long positions. More unravelling of the Electricity Package, which ceases to be traded in the autumn, left it 78 off at £2995.

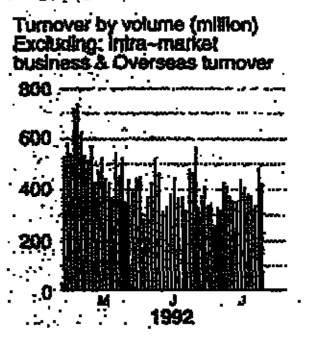
TSB initially moved ahead to 142p after reports that a predator could be stalking the bank, but it later slipped to close unchanged at 138p. Specialists said a bid was by no means unlikely but could well be some time away.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Weakness ahead of this Thursday's results undermined ICI, which receded 30 to 1068p. Hoare Govett said it would consider turning a buyer of the stock if it reached the 1050p level, believing the 7 per cent yield would represent a good opportunity to institutions to buy on income and security considerations.

Bullough, the engineering group, plummeted 21 to 114p after an 18 per cent decline in interim profits.

A line of stock in regional hotel group Friendly Hotels sent the shares into retreat to end 23 off at 120p.

Milk was a big factor weighing on the shares of Clifford Foods and Northern Foods yesterday. Clifford ordinary shed 48 to 410p and the "A" shares 25 to 123p in spite of a statement from the company that it expects to pay an unchanged dividend of 11.5p for the current year. The shares reacted badly to news that a delay until July in raising selling prices for milk to major retailers will cut first-half profits to just above £1m, from £2.54m for the same period last year.

Northern fell 13 to 567p as County NatWest trimmed its 1992/93 profits forecast to £161m from £165m. County said it was concerned about how the increase in milk prices to manufacturers will affect profits, and was also worried by a squeeze on suppliers by Marks and Spencer, one of Northern's biggest customers.

Fyffes added 4 at 80p on news that it is to take a 50 per cent stake in Saba Trading, a subsidiary of Axel Johnson, a leading Swedish distributor of fresh fruit and vegetables.

MARKET REPORTERS:
Colin Millham,
Christopher Price,
Steve Thompson.

■ Other market statistics, Page 18

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ACT	8	445	
ASDA Group	15,000	26	-½
Abbey National	7,600	258	-7
Albert Fisher	4,300	38	-1
Allied-Lyons	711	605	-9
Amstrad	2,500	26	-2½
AngCan Water	1,700	397	-3
Argos	1,400	221	
Argyll Group	1,500	335	-6
Arjo Wiggins	2,800	209	-5
Ass Brit Foods	257	397	-5
Comm Union	1,000	417	-8
Cookson	8,200	139	-3
Courtaulds	378	448	-12
Dalgety	1,200	390	-5
De La Rue	1,000	587	-7
Dixons	4,300	200	+1
Eastern Elect	1,300	270	-6
East Midland Elect	1,000	278	-11
Eng China Clays	825	437	-7
Enterprise Oil	1,000	329	+2
Eurotunnel Units	1,600	305	+1
Lonrho	1,800	80	-2
Lucas	805	101	+2
MB Caradon	309	277	-1
MEPC	778	282	-2
Manweb	471	335	-9
Marks & Spencer	4,000	305	
Midlands Elect	87	294	-8
NFC	177	228	-½
NatWest Bank	4,100	311	-5
National Power	887	242	-1
Next	855	67	
Shell Transport	7,600	451	-7
Siebe	502	826	-4
Slough Ests	1,900	119	+1
Smith (W.H.) A	2,700	372	+2
Smith & Nephew	5,200	138	-2
SmKl Beecham	4,300	456	+7
SmKl Beecham Uts	452	413	+4
Smiths Inds	801	272	+1
Southern Elect	459	282	-8½
South Wales Elect	91	340	-10
South West Water	141	395	-8
[illegible]			
British Gas	5,500	241	
British Land	1,000	174	-4
British Steel	3,600	54	+1
Bunzl	832	83	-2
Burmah Castrol	1,000	535	-6
Burton	5,500	35	-1½
Cable & Wire	945	521	-6
Cadbury Schweppes	867	456	-10
Calor Group	329	179	-1
Carlton Comms	785	579	-6
Coats Viyella	439	171	-1
Inchcape	3,800	380	-12
Kingfisher	828	440	-3
Kwik Save	874	636	+2
Ladbroke	2,900	171	-1
Land Securities	997	381	-3
Laporte	425	531	-6
Legal & General	3,400	331	-5
Lloyds Abbey	123	350	+1
Lloyds Bank	3,600	404	-5
LASMO	6,300	132	+15
London Elect	101	288	-8
Ryl Bk Scotland	2,300	173	-3
Royal Insurance	338	180	
Saatchi	388	117	-1
Sainsbury	853	439	-8
Scottish & New	1,300	422	+½
Scot. Hydro-Elect	2,000	196	-½
Scottish Power	1,300	184	
Sears	5,300	73	-3
Sedgwick	1,300	183	
Seeboard	120	304	-6
Severn Trent Water	558	382	-2
Warburg (SG)	881	464	-3
Wellcome	23,000	800½	-25½
Welsh Water	453	429	-3
Wessex Water	644	485	-3
Whitbread 'A'	728	410	+5
Williams Hldgs	2,800	246	-11
Willis Corroon	42	203	-4
Wimpey	737	104	-5
Wolseley	1,300	307	-6
Yorkshire Elect.	904	339	-4
Yorkshire Water	888	437	-5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down

EQUITY FUTURES AND OPTIONS TRADING

TRADING in stock index futures was dominated by the disappointing performance from the Wellcome share sale in the equities market, writes Christopher Price.

The September contract on the FT-SE index opened brightly, early buyers pushing it up to 2,391 within minutes of the opening. However, in a 20-minute burst the contract collapsed as the Wellcome shares came on to the equity market and were immediately marked down.

By 9.30am, September had slumped to 2,369, at which point some support was found and the contract rallied. But continued gloom over the state of the UK economy, with talk of worse to come in this week's official statistics, served to further undermine the contract in quiet trading.

What started as a drift early in the afternoon session soon turned into a sharper decline in the last hour of trading as a softening in sterling added to dealer's worries. September finally closed at 2,355, 28 points adrift of Friday's session and at a 5-point discount to its fair value of around 12. Turnover was 7,459 lots.

In traded options, 23,874 contracts were dealt, 2,880 up on Friday. Asda was the top option stock, with 3,035 contracts, followed by BP at 1,065.

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Jul 27 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Jul 24 Index No.	Thu Jul 23 Index No.	Wed Jul 22 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (176)	727.17	-1.4	8.11	6.18	15.74	20.52	737.80	741.86	741.70	834.85
2	Building Materials (22)	768.95	-1.8	7.06	7.29	19.26	25.58	783.22	791.39	780.44	1068.93
3	Contracting, Construction (28)	639.65	-2.7	5.44	9.34	40.52	25.20	657.44	665.80	670.61	1136.09
4	Electricals (9)	2233.13	-1.1	7.75	6.78	16.72	68.82	2257.90	2265.55	2252.59	2483.26
5	Electronics (28)	1884.15	-1.2	8.57	4.62	14.55	45.48	1907.18	1903.90	1882.78	1675.76
6	Engineering-Aerospace (6)	300.41	-0.5	12.12	8.67	10.44	11.27	301.86	304.10	308.45	420.89
7	Engineering-General (43)	450.15	-1.8	9.15	5.35	13.54	11.44	458.23	461.61	462.76	457.81
8	Metals and Metal Forming (7)	281.03	+0.1	5.95	7.84	24.61	7.18	280.74	284.72	288.41	439.37
9	Motors (14)	310.86	-0.2	8.54	7.57	15.40	10.14	311.37	313.12	319.46	322.79
10	Other Industrial Materials (19)	1554.29	-1.7	7.97	5.34	15.11	38.28	1580.38	1586.15	1590.55	1625.50
21	CONSUMER GROUP (189)	1509.07	-1.0	8.11	3.81	15.14	26.58	1524.72	1539.30	1530.26	1516.72
22	Brewers and Distillers (24)	1921.55	-1.2	8.61	3.81	14.01	37.26	1945.12	1985.97	1967.43	1828.71
25	Food Manufacturing (19)	1158.36	-1.5	9.31	4.56	13.28	26.01	1176.32	1183.47	1183.98	1204.64
26	Food Retailing (18)	2701.32	-0.7	9.03	3.38	14.43	44.70	2720.59	2734.83	2683.19	2701.10
27	Health and Household (24)	3741.99	-0.3	7.41	2.86	15.37	37.92	3753.10	3763.67	3791.14	3616.61
29	Hotels and Leisure (18)	1069.49	-2.1	7.51	6.40	17.31	33.45	1092.46	1101.52	1070.61	1303.15
30	Media (27)	1406.57	-2.2	7.34	3.79	16.90	27.19	1438.41	1463.50	1479.07	1427.09
31	Packaging, Paper & Printing (17)	712.10	-1.6	7.24	4.64	16.74	14.76	723.80	728.98	724.95	749.41
34	Stores (33)	959.53	-0.7	7.85	3.88	16.83	16.96	966.53	975.78	956.83	984.42
35	Textiles (9)	609.46	-0.5	8.01	5.09	15.57	14.72	612.51	615.55	611.02	582.95
40	OTHER GROUPS (118)	1174.70	-1.6	10.60	5.61	11.77	31.17	1193.39	1202.47	1203.20	1271.06
41	Business Services (17)	1194.73	-2.1	7.04	4.31	17.35	21.03	1220.10	1240.44	1246.73	1333.49
42	Chemicals (22)	1293.14	-2.2	8.16	5.62	14.96	33.10	1322.11	1340.35	1335.64	1429.68
43	Conglomerates (11)	1163.13	-1.0	10.71	8.10	11.71	24.83	1174.70	1182.19	1186.68	1473.70
44	Transport (14)	2177.49	-0.9	9.06	5.42	13.61	55.92	2197.41	2233.55	2227.94	2248.03
45	Electricity (16)	1298.67	-1.0	15.27	5.65	8.29	38.33	1312.12	1328.57	1335.76	1239.20
46	Telephone Networks (4)	1341.91	-2.3	11.60	4.92	11.24	46.12	1373.76	1365.95	1365.92	1533.05
47	Water (11)	2717.36	-1.0	16.49	6.37	6.71	86.85	2743.42	2775.68	2776.88	2433.47
48	Miscellaneous (23)	1917.10	-1.1	5.87	5.14	22.42	29.19	1939.10	1958.02	1955.98	2005.64
49	INDUSTRIAL GROUP (483)	1206.74	-1.3	8.91	4.80	13.95	26.94	1222.30	1232.34	1228.90	1272.48
51	Oil & Gas (17)	1825.87	-0.6	8.29	7.79	15.85	63.73	1836.17	1852.92	1848.57	2491.03
59	500 SHARE INDEX (500)	1266.62	-1.2	8.85	5.10	14.12	29.89	1282.04	1292.69	1289.13	1375.67
61	FINANCIAL GROUP (85)	671.44	-1.4	-	6.71	-	20.17	680.97	689.41	681.56	810.91
62	Banks (9)	898.79	-1.7	7.34	6.09	19.32	24.58	914.41	929.67	910.76	943.66
65	Insurance (Life) (6)	1381.68	-1.4	-	6.44	-	44.26	1401.13	1402.61	1389.85	1535.22
66	Insurance (Composite) (7)	418.66	-1.3	-	8.31	-	13.46	424.37	431.91	431.85	650.62
67	Insurance (Brokers) (10)	742.44	-0.8	10.44	8.75	12.60	30.14	748.43	748.63	742.44	1145.34
68	Merchant Banks (7)	431.64	-0.4	-	5.00	-	11.25	433.57	435.80	437.34	432.92
69	Property (31)	564.53	-0.7	10.31	8.12	13.12	20.31	568.71	573.01	577.78	928.52
70	Other Financial (15)	230.93	-0.8	7.86	7.48	17.22	6.63	232.70	233.85	233.72	249.37
71	Investment Trusts (70)	1074.88	-0.7	-	4.17	-	20.64	1082.61	1093.75	1093.73	1222.38
99	ALL-SHARE INDEX (655)	1124.19	-1.2	-	5.28	-	27.23	1138.01	1148.11	1143.78	1238.79

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 24	Jul 23	Jul 22	Jul 21	Jul 20	Year ago
FT-SE 100 SHARE INDEX‡	2348.0	-29.2	2376.3	2347.4	2377.2	2399.5	2387.9	2415.6	2403.7	2595.0

‡Opening index 2375.4; 9 am 2369.7; 10 am 2364.4; 11 am 2348.9; Noon 2353.3; 1 pm 2353.2; 2 pm 2350.6; 2.30 pm 2349.1; 3 pm 2350.5; 3.30 pm [illegible]; 4 pm 2350.6; 4.10 pm 2348.1; (a) 8.33am (b) 10.48am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

FIXED INTEREST

	PRICE INDICES	Mon Jul 27	Day's change %	Fri Jul 24	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (24)	121.31	-	121.44	1.34	7.91
2	5-15 years (26)	138.55	+0.01	138.88	2.02	8.06
3	Over 15 years (8)	150.67	-0.02	150.70	1.68	7.35
4	Irredeemables (6)	169.23	+0.02	169.19	2.29	7.34
5	All stocks (64)	135.74	-	135.97	1.77	8.08
	Index-Linked					
6	Up to 5 years (2)	173.06		173.05	1.22	1.83
7	Over 5 years (10)	150.06	+0.05	149.98	0.47	3.09
8	All stocks (12)	152.04	+0.05	151.97	0.56	2.90
9	Debs & Loans (62)	121.72	+0.04	121.73	2.86	6.27

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jul 27	Fri Jul 24	Year ago (approx.)
	British Government				
1	Low	5 years	8.34	8.34	9.06
2	Coupons	15 years	8.75	8.76	9.85
3	(0%-7¾%)	20 years	8.76	8.75	9.85
4	Medium	5 years	9.25	9.24	10.23
5	Coupons	15 years	8.95	8.95	10.05
6	(8%-10¾%)	20 years	8.90	8.90	9.99
7	High	5 years	9.48	9.48	10.40
8	Coupons	15 years	9.12	9.12	10.17
9	(11%-)	20 years	9.03	9.04	10.07
10	Irredeemables		9.03	9.03	10.05
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	4.18	4.18	4.42
12	Inflation rate 5%	Over 5 yrs	4.47	4.47	4.36
13	Inflation rate 10%	Up to 5 yrs	3.43	3.42	3.47
14	Inflation rate 10%	Over 5 yrs	4.28	4.28	4.17
15	Debs & Loans	5 years	10.56	10.54	11.93
16		15 years	10.31	10.31	11.70
17		25 years	10.17	10.17	11.47

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (4).
ELECTRICALS (1) Magnetic Mtls., MISC (1) Norbain, PROP (1) Lon & Edinburgh 8⅞pc Pf '13, MINES (1) Sons Gwalia.
NEW LOWS (273).
[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Exch 12¼pc 1992		100⅞xd	—	101¼	100⅞	12.22	—
13½pc 1992		100¾	—	102⅛	100¾	13.44	9.78
Treas 8¼pc 1993		99¾xd	—	99¾	97[illegible]	8.31	9.54
[illegible]							
Five to Fifteen Years							
Treas 8¾pc 1997‡‡		98¼xd	—	99[illegible]	94	8.91	9.21
8¾pc 1997 D		98¼xd	—	99[illegible]	98[illegible]	8.91	9.21
Exch 15pc 1997		122	—	123[illegible]	118[illegible]	12.30	9.57
9¾pc 1998		102[illegible]	—	103[illegible]	97[illegible]	9.54	9.23
Treas 6¾pc 1995-98‡‡		91[illegible]	—	93[illegible]	86[illegible]	7.34	8.56
15½pc '98‡‡		127[illegible]	—	129[illegible]	123[illegible]	12.16	9.48
Exch 12pc 1998		112[illegible]	—	113[illegible]	107[illegible]	10.68	9.35
Treas 9½pc 1999‡‡		102½	—	103[illegible]	97[illegible]	9.27	8.98
Exch 12¼pc 1999		114[illegible]	—	115[illegible]	109[illegible]	10.74	9.35

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		108[illegible]	-½	107[illegible]	101[illegible]	9.66	9.20
Conversion 10¼pc 1999		105[illegible]	-½	106[illegible]	100[illegible]	9.72	9.19
9pc 2000‡‡		99⅞	—	100[illegible]	94⅝	9.01	9.02
9% 2000 C		98[illegible]	—	100[illegible]	98[illegible]	9.04	9.02
Treas 13pc 2000		119[illegible]	-¼	121⅛	114[illegible]	10.85	9.40
[illegible]							
9pc 2012 A		71[illegible]	[illegible]	72[illegible]	69[illegible]	8.88	8.65
Treas 5½pc 2008-12‡‡		69[illegible]	[illegible]	70[illegible]	62[illegible]	7.86	8.70
7¾pc 2012-15‡‡		89[illegible]xd	[illegible]	90[illegible]	81[illegible]	8.65	8.82
Exch 12pc '13-'17		129¼	[illegible]	130[illegible]	120[illegible]	9.28	8.94
Treas 8¾pc 2017		98[illegible]xd	—	101	97[illegible]	8.94	8.78
Undated							
Consols 4pc		43[illegible]xd	—	44[illegible]	39[illegible]	9.13	-
War Loan 3½pc‡‡		38[illegible]	—	39[illegible]	35[illegible]	8.98	-
Conv 3½pc '61 Aft		62½	—	62[illegible]	59	5.60	-

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 3pc '66 Aft		32⅛	—	32⅝	29[illegible]	9.27	-
Consols 2½pc		27[illegible]	—	27[illegible]	24[illegible]	9.03	-
Treas. 2½pc		27½	—	27¾	24[illegible]	9.09	-
Index-Linked							
[illegible]							
OTHER FIXED INTEREST							
[illegible]							
9pc Cap 1996		92⅝	—	93¼	90	9.72	-
13pc '97-02		108	—	115½	103⅞	12.26	-
Hydro Quebec 15pc 2011		140[illegible]	-[illegible]	141[illegible]	130[illegible]	10.69	10.15
Leeds 13½pc 2006		124[illegible]	—	125	116[illegible]	10.87	10.25
Liverpool 3½pc Irred		32½	—	33[illegible]	30	10.77	-
LCC 3pc '20 Aft		30½	—	30[illegible]	27	9.84	-
Manchester 11½pc 2007		110½	—	111[illegible]	103[illegible]	10.41	10.12
Met. Wtr 3pc 'B'		60½	—	61	53	4.96	8.60
N'wide Anglia 3⅞pc 2021		109[illegible]	—	111[illegible]	103[illegible]	-	5.43
4⅛pc IL 2024		109xd	—	110[illegible]	103[illegible]	-	5.17
Utd Mex States 16½pc 2008		123½	—	126	121½	13.38	12.97

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1991: 135.7 and for June 1992: 139.3

Fiduciary Issue by Kredietbank S.A. Luxembourgeoise to fund a loan to be made by it to

ISVEIMER
Istituto per lo Sviluppo Economico dell'Italia Meridionale
US$ 150,000,000 Floating Rate Notes due 1994

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the third Interest Period from July 27, 1992 to January 27, 1993 the Notes will carry an interest rate of 3 [illegible]% per annum.

The Interest Amount payable on the relevant Interest Payment Date, January 27, 1993 will be US$ 194.86 per US$ 10,000 principal amount of Note and US$ 1,948.61 per US$ 100,000 principal amount of Note

The Agent Bank
Kredietbank Luxembourg

NOTICE OF INTEREST RATE
To the Holders of
BankAmerica Corporation
Floating Rate Subordinated Capital Notes due October 1998
CUSIP No 066050 BG 9

Pursuant to the provisions of the Notes issued under the Indenture of BankAmerica Corporation dated as of June 15, 1984 as amended by the Second Supplemental Indenture dated as of September 30, 1987, the rate for the period from July 24, 1992 up to and including October 25, 1992 is 4.7031%. The amount of interest payable on October 26, 1992 is U.S. $1,228.04 for each $100,000 principal amount of the Notes.

CHEMICAL BANK (formerly Manufacturers Hanover Trust Company) as Calculation Agent
July 22, 1992

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's
Abbott Labs	h	15½xd	+⅛	19⅛	14⅝	13,150	2.0
♥Allegheny & W		281p	—	335p	226p	148.8	5.6
Amdahl		907p		1159p	793p	1,816	0.6
Amer Cyanamid		30½	...	37	28⅝	2,788	2.8
Amer Express		12⅝xd	−⅛	13⅞	10⅞	5,799	4.4
Amer T & T		22⅞xd	−⅛	24⅞	20⅛	29,926	3.1
Ameritech		35⅝	...	36½	32½	15,597	5.2
BankAmerica		23xd	−⅛	27⅝	19⅞	7,889	3.0
Bankers NY		31⅝xd	−⅛	37⅛	28⅞	2,821	4.5
Bell Atlantic		25⅛	.	26⅞	23⅛	10,816	5.4
BellSouth		27⅞	—	29⅛	25	13,627	5.2
♥Bethlehem Steel		6⅞xd	−⅛	9⅝	6⅞	531.0	–
Bowater		1052pxd		1579p	1016p	379.3	6.0
CPC	h	24⅝xd	−⅛	25⅛	22⅛	3,739	2.5
♥Cadiz Lnwg Inc		170p	.	342p	168p	–	–
California Engy		599p	...	833p	599p	309.1	–
Campbell Soup		19⅛xd	−⅛	23⅛	17⅞	4,800	2.1
Chase Manhattan		13⅛xd	−⅛	16½	9⅛	1,845	4.8
Chrysler		10⅛xd	+⅛	11½	6⅛	2,957	3.1
Citicorp		10⅛xd	−⅛	11⅛	5⅞	3,639	–
Colgate-Palm		26⅝xd	−⅛	29⅛	25⅛	4,297	2.4
Cont'l Bank		932p	..	1038p	479p	942.8	3.4
Dana		20⅞xd	+⅛	24½	14⅞	944.7	4.0
Data General		487p	..	1084p	388p	128.9	–
♥Decora Ints		104p	—	122p	66p	–	–
Dun & Brad		30⅞	...	33½	27⅞	5,508	3.9
Eaton		38⅞	..	46½	32½	1,371	2.9
Echlin		9⅞xd	−⅛	11	7⅝	551.5	3.7
FPL		19⅛xd	+⅛	20	18⅛	3,370	6.6
Fluor		20⅞	+⅛	27	19⅛	1,662	1.0
Ford Motor		23⅛	+⅛	28⅛	15	11,227	2.3
Gen Elect		39⅝xd	−⅛	46⅞	39⅛	33,916	3.1

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price-earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK Stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks which are quoted on SEAQ International

● "Tap Stock"

* Highs and lows marked thus have been adjusted to allow for rights issues for cash

† Interim since increased or resumed

‡ Interim since reduced, passed or deferred

‡‡ Tax-free to non-residents on application

◆ Figures or report awaited

♥ Not officially UK listed, dealings permitted under rule 535(4)(a)

✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.

‡† Not officially UK listed; dealings permitted under Rule 535(2)

Price at time of suspension

¶ Indicated dividend yield after pending scrip and/or rights issue.

♦ Merger bid or reorganisation in progress

§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.

♣ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
r Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1990-91
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1PZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	108 1	109 3	115 1	-0 80	0 00
AIB Grofund Equity	5	166 1	168 5	178 3	-1 70	2 62
AIB Grofund Euro ♦	5	125 0	126 7	133 4	-4 90	1 11
AIB Grofund Gilt	3	74 06	74 06	76 35	-0 05	6 09
AIB Grofund Japan	5	90 98	92 02	96 87	-1 74	0 00

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	120 2	120 2xd	127 4	-0 1	8 12
High Inc Equity	6	114 3	117 0xd	124 4	-0 8	6 83
Worldwide Bond	6	214 3	214 3	227 2	-0 7	6 26
Capital Growth						
American Growth	6	185 0	185 0	197 8	-0 8	99
Asian Pacific	6	132 9	132 9	142 1	-1 8	1 13
Assets & Earnings	6	169 8	169 8	181 6	-1 3	3 73
Capital Reserve Acc	0	116 8	116 8	116 8		7 69
Capital Reserve Inc	0	86 39	86 39	86 39		7 69
Comdty & Energy	6	60 28	60 28	64 47	-0 71	1 23
1992 Enterprise	6	64 59	64 59	69 08	-0 36	3 07
Euro Capital Acc	6	85 88	85 88	91 85	-0 19	1 13
Euro Capital Inc	6	81 38	81 38	87 03	-0 18	1 15
General	6	157 7	157 7	168 6	-1 2	3 44
Japan	6	64 74	64 74	69 24	-0 81	-
Mastertrust	6	81 00	81 00	86 63	-1 67	2 89
UK Growth Acc	6	151 2	158 8	168 9	-1 7	3 19
UK Growth Dist	6	95 45	100 3	106 7	-1 0	3 19
US Emerging Cos	6	66 35	66 35	70 96	-0 06	-
Income & Growth	6	271 2	271 2	290 0	-1 6	4 83
Ethical	6	49 84	51 25xd	54 52	-0 23	3 63
International	6	55 67	56 54	60 14	-0 31	1 48
Dividend & Growth	6	43 16	44 15xd	46 96	-0 34	6 39
Global Gwth & Inc	6	54 13	54 43	57 90	-0 17	2 76

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St Edinburgh EH3 7RA 031 220 0733

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Small Cos	0	1050 0	1050 0	1105 0		-

Brown Shipley & Co Ltd – Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Income	6	70 92	70 92xd	75 53	-0 35	6 38
Intl Growth ♦	6	23 19	23 19	24 70	-0 13	0 32
Monthly Income	6	51 98	53 84	57 34	-0 32	5 87
North American	6	70 41	70 41	74 99	+0 13	0 29
Orient ♣	6	68 18	68 18	73 29	-1 18	-
Recovery	6	26 13	26 13	27 94	+0 04	4 22
Smaller Cos Acc	6	189 4	189 4	201 7	-2 80	-
Smaller Cos Inc	6	112 6	112 6	119 9	-2 00	1 92

Brycourt Unit Tst Mgmt Ltd (1400)F
Heathcoat Hse Portman Sq W1H 0JP 071-935 6382

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	164 4	164 4	169 3		6 85

Buckmaster Mangmt Co Ltd (1200)H
15 St Botolph Street London EC3A 7JJ 071-247 4542

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Fellowship Tst ♥	5¼	46 14	46 14	48 91	-0 22	3 86
(Accum Units) ♥	5¼	50 55	50 55	53 58	-0 35	3 86
Income	5¼	159 5	161 7	172 1	-2 6	5 74
(Accum Units)	5¼	354 1	359 2	382 3	-3 6	5 74
Smaller Co's	5¼	90 73	93 98xd	99 98	-0 52	3 63
(Accum Units)	5¼	106 8	110 5	117 6	-0 7	3 63
Inv Portfolio ♥	3	51 32	51 32	53 12	-0 53	3 27
(Accum Units) ♥	3	56 67	56 67	58 65	-0 59	3 27
High Income Port ♦	3	45 22	46 07	47 74	-0 27	6 30

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St London EC3M 5AL 071-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Short Dated Gilt	1¼	63 19	63 19	64 94	+0 01	7 31

For CGF Foster Braithwaite see Foster Braithwaite

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green W12 8SQ 081-740 7070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5½	47 48	48 69	51 80	-0 56	2 86
Global Fd	5½	35 88	37 01	39 38	-0 29	0 35
Recovery Tst	5½	45 68	46 91	49 90	-0 39	1 92

For CIBC Unit Tst Mngrs see Brown Shipley & Co

CIS Unit Managers Ltd (1000)F
PO Box 105 Manchester M60 0AH 061 837 5060

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Environ	6	104 6	107 1xd	114 0	-0 5	2 35
UK Growth	6	112 6	114 3	121 8	-0 7	3 01
UK Income	6	95 92	97 47	103 7	-0 6	6 04

For CS Fund Mngrs see City Financial UT

Canada Life Unit Tst Mgrs Ltd (1200)F
High St Potters Bar Herts EN6 5BA 0707 51122

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	5	131 1	133 9xd	141 9	-1 5	3 52

For Mayflower Mngmt see Sheppards UT Mngmt

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 071-280 2060

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	123 0	123 0	131 0	-0 80	0 00
(Accum Units)	5	131 5	131 5	140 0	-0 70	0 00
American Opps	5	49 23	49 23	52 52	+0 06	0 00
(Accum Units)	5	49 91	49 91	53 24	+0 05	0 00
British Blue Chip	5	58 83	58 94	62 87	-0 33	4 24
(Accum Units)	5	67 29	67 42	71 92	-0 37	4 24
Cash	0	100 2	100 2xd	100 2	+1 80	9 80
(Accum Units)	0	123 6	123 6xd	123 6	+0 10	9 80
European Growth	5	149 3	149 3xd	158 4	-2 40	0 57
(Accum Units)	5	160 0	160 0xd	169 7	-1 00	0 57
European Income	5	58 47	58 49xd	62 39	+0 11	3 76
(Accum Units)	5	73 03	73 05xd	77 92	+0 13	3 76
General	5	362 4	364 5	388 9	-2 90	3 12
(Accum Units)	5	673 5	677 6	722 8	-5 40	3 12
Global Bond	5	105 2	105 2	110 5	-0 10	6 69
(Accum Units)	5	112 1	112 1	117 9	-0 10	6 69

Norwich Union Tst Managers Ltd (1200)H
PO Box 124, 51/59 Rose Lane, Norwich 0603 682234

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Master Trust	6	82 65	82 65	87 92	-0 66	4 30
UK Equity	6	100 40	102 00	108 51	-1 17	4 62
UK Equity Income	6	95 02	96 78	102 96	-1 16	6 20
UK Smaller Cos	6	85 95	89 36xd	95 06	-0 72	3 15
UK Equity Growth	6	94 03	95 64	101 74	-1 18	5 15
UK Index Tracking F	6	100 35	100 95	107 43	-0 98	4 90
Intl Index Tracking F	6	86 85	87 59	93 18	-0 65	1 62
International	6	141 68	143 20	152 34	-1 14	2 42
European	6	115 87	116 78	124 23	-0 35	1 49
Pan European	6	87 10	88 16	93 79	-0 54	3 55
Nth American	6	113 39	114 47	121 78	-0 15	2 26
Nth Amer Smllr Cos	6	97 97	99 94xd	106 32	-0 34	0 00
Japanese	6	47 57	48 28xd	51 36	-0 75	0 00
Pacific	6	113 99	115 70xd	123 08	-1 62	1 34
South East Asian	6	116 94	118 71	126 37	-1 50	1 38
International Bond	6	101 17	101 29xd	107 76	-0 17	6 56
Gilt & Convertible	6	98 78	99 01xd	105 33	-0 06	7 99
Property F	6	67 79	69 72xd	74 17	-0 03	6 79
Cash Deposit Accum F	0	102 00	102 00	102 00	+0 06	9 51

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American	5	220.2	250.2	266.0	+1.4	0.88
(Accum Units)	5	294.5	294.5	313.1	+1.7	0.88
British	5	757.5	773.8	818.7	-19.6	6.58
(Accum Units)	5	1270.3	1297.7	1373.0	-17.7	6.58
European	5	327.7	327.7	349.0	-1.6	1.38
(Accum Units)	5	355.2	365.2	378.3	-1.8	1.38
Japan	5	81.88	81.88	87.03	-1.34	-
(Accum Units)	5	82.54	82.54	87.73	-1.35	-
New Pacific	5	191.9	192.4	204.9	-3.2	1.71
(Accum Units)	5	199.4	199.9	212.9	-3.3	1.71
Investment Tst Jan 12	0	131.5	134.2	142.3	.....	-
Mngd Equity	5	117.6	118.9	125.8	-1.3	3.07
Mngd Equity Acc	5	126.8	128.2	135.6	-1.4	3.07
Mngd Cash	0	95.86	95.86	95.86	+0.06	9.56
(Accum Units)	0	122.5	122.5	122.5	+0.1	9.56
Majority Stlg	1	99.97	99.97	100.97	+0.06	9.40
Majority Stlg Acc	1	112.77	112.77	113.89	+0.06	9.40
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
International Jul 15	0	48.02	48.02	48.40	.....	1.53
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham 0403 232323						
Equity	6	569.1	569.1	608.7	-6.9	3.46
North America	6	73.99	73.99	79.13	-0.26	0.83
Far East	6	77.35	77.35	82.73	-1.24	0.54
W'wide Bond	6	47.35	47.35	50.37	-0.11	6.18
European	6	63.29	63.29	67.49	-0.37	1.50
Equity Income	6	62.51	63.33	67.73	-0.46	5.67
Portfolio	6	53.13	53.13	56.82	-0.58	2.01
UK Leading Cos	6	40.74	41.37	44.01	-0.40	3.49
Broker Trusts						
Intel Equity	6	41.38	41.90	44.81	-0.29	3.05
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants 0800 525725						
American Growth	6	24.49	24.49	26.20	-0.08	0.48
Managed Assets	6	94.70	95.39	102.03	-0.52	4.55
UK Income	6	28.64	29.01	31.03	-0.28	5.30

	Bid Price	Offer Price	+ or -	Yield Gross
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Jul 22	3848.1	4019.4	.....	3.67
European Jul 22	363.4	369.5	.....	2.00
American Jul 22	323.4	326.5	.....	1.83
Japan Jul 22	361.9	367.0	.....	1.77
Pacific Jul 22	138.1	141.4	.....	1.23
W Midlands Jun 30	126.30	141.40	.....	2.69
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Jun 30	189.30	193.10	.....	8.25
Equity Jun 30	856.95	868.95	.....	4.06
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Jul 24		106.48	+0.1	10.12
(Accum Units)		661.87	+0.2	10.12
NAAGIF Jul 21		40.75	...	9.32
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Jul 21	125.7	132.9	-	2.05
UK Small Co † Jul 22	473.0	520.2	-	3.85
Fixed Interest † Jul 21	111.2	117.0	-	8.55
US Small Co Jul 21	136.2	145.7	-	0.00
Managed Jul 21	103.5	110.7	-	3.62
Intl Bond Jul 21	122.5	129.0	-	9.97
Japan Jul 21	54.51	58.10	-	5.48
European Jul 21	87.78	94.14	-	1.77
Nth American Jul 21	103.7	111.9	-	1.40
Morgan Stanley International				
UK Exempt	1042.41	1068.94	.....	-
Overseas Exempt	909.23	967.83	.....	-
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	47.93	49.80	-0.32	1.58
European Exempt	46.89	48.35	+0.06	3.14
Fixed Int Ex Jul 22	46.94	47.39	...	9.09
Japan Exempt	30.46	31.41	-0.69	0.96
Managed Ex Jul 23	42.63	43.77	...	4.36

[illegible]

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	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	135 5	142.6	+0.1	-
Property Acc (Gross)	258 2	271 8	+0 2	-
Equity (Gross)	811 0	853.7	-5.6	-
Managed (Gross)	579 2	609 7	-3 1	-
Property Acc (Net)	123.4	129 9	....	-
Equity (Net)	189 5	199 5	-1 2	-
Adventurous Managed	88.4	93.0	-0 3	-
Managed (Net)	179 0	188 4	-0 9	-
Cautious Managed	96 2	101 2	.....	-
International (Net)	151 2	159 1	-0 9	-
Gilt & Fixed Interest	142 8	150 4	-0 5	-
Money Fund	140 5	147 9		-
Mixed Fund (Cap)	111 8	117 9	-3.9	-
Mixed Fund (Acc)	116 3	122.5	-4 0	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	628 0	661 1	-3 2	-
Ret Man (Series 2)	212 9	224 2	-1 1	-
Ret Cash	198.5	209 0	+0 2	-
Pens Mixed Fd (Cap)	123 5	130 0	-4 7	-
Pens Mixed Fd (Acc)	128.5	135 3	-4 7	-
Pens Stig Fd (Cap)	104 0	109 5	+0 1	-
Pens Stig Fd (Acc)	108 2	113 9	+0 1	-

For Pioneer Mutual see Swiss Pioneer

	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39 Perrymount Road Haywards Heath 0444 458721				
American	124 0	131 0	-1 0	-
Building Soc Fd	224 0	236 0	.	-
Balanced	254 0	268 0	-1 0	-
European	199.0	210 0	-1 0	-
GT Managed	177 0	187 0	-1 0	-
Gartmore Mngd	116 0	123 0	-1 0	-
German	126 0	133 0	.	-
Gilt	169 0	178.0	-1 0	-
Global	37 0	39 0	-1 0	-
International Equity	183 0	193 0	-1 0	-
Japan	136 0	144 0	-2 0	-
Leisure	48 0	51 0		-
Managed	41 0	44 0	.	-
Property	294 0	310 0		-
UK Equity	237 0	250 0	-2 0	-
Pension Funds				
American	240 0	253 0	-1 0	-
Building Soc Fd	240 0	253 0		-
Balanced	212 0	224 0	-2 0	-
European	219 0	231 0	-1 0	-
German	125 0	132 0	.	-
Gilt	161.0	170 0	-1 0	-
Global	35 0	37 0	-1 0	-
International Equity	166 0	175 0		-
Japan	81 0	86 0	-1 0	-
Managed	52 0	55 0		-
Property	227 0	239 0		-
UK Equity	241 0	254 0	-2 0	-
Professional Life Assurance Co Ltd (z)				
Skandia Hse Portland Terr, Southampton 0703 232323				
BZW/IR Managed		114 6		-
Fidelity Managed		98 4	.	-
Hill Samuel Managed		117 9		-
Morgan Grenfell Managed		113 0		-
PDFM Managed		121 4		-
Schroder Managed		119 0		-
Professional Managed		112 9		-
European Equity		83 6		-
Fixed Interest		153 8	.	-
International Equity		125 1		-
Pacific Equity		77 6		-
UK Equity		126 6		-
US Equity		113 5		-
European Index		85 6		-
International Index		85 9		-
Japanese Index		60 1	.	-
South East Asia Index		108 3	.	-
UK Index		121 9		-
US Index		113 5		-
Property		104 2		-
Sterling Deposit		131 6	.	-
Retirement Annuity	89 6	95 2		

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Mutual Life Assc. Assn. – Contd.				
Pension Funds				
Managed Ord	439 0	462.1	-2.8	-
Managed Init	319 5	336 3	-2.2	-
Equity Ord	663 4	698.3	-6 6	-
Equity Init	482.9	508.3	-5	-
Pen Ind Lkd Gilt Ord	186 9	196 7		-
Pen Ind Lkd Gilt Init	142 1	149.6	.....	-
Overseas Equity Ord	277 8	292.4	-2	-
Overseas Equity Init	202 2	212.8	-1.5	-
Property Ord	281 2	296 0	+0.1	-
Property Init	204.7	215.5	+0.1	-
Fixed Interest Ord	293 7	309 2	..	-
Fixed Interest Init	213 8	225 1		-
Deposit Ord	270 5	284 7	+0 2	-
Deposit Init	196 9	207 3	+0 1	-
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Jul 22	247 5	257 9	.....	-
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Prudential Managed Funds				
Discretionary Jul 22	£178.34	184 05	.	-
Equity Jul 22	£204.32	211.31	.	-
International Jul 22	£25 24	25 93	.	-
Intl Bond Jul 22	£14 23	14 44		-
Fixed Int Jul 22	£106 17	107 37	.	-
Index Linked Jul 22	£76 16	77 12		-
Property Jul 22	£109 77	115.63	....	-
Cash Jul 22	£30 9695	30 9895		-
Pre-Linked Retirement Plan				
Managed Jul 21	427 3	445 2		-
Cash Jul 21	284 6	296.5	.	-
Prudential Pensions Investment Account				
Pens Mngd Jul 28	167 5	180 1	-1 7	-
Pens UK Eq Jul 28	293 8	316 9	-3.8	-
Pens Intl Jul 28	178 6	191 4	-1 4	-
Pens Global Eqty Jul 23	92 3	97 2	-1 1	-
Pens Fixed Jul 28	241 5	255 0	+0 1	-
Pens Index Lk Jul 28	194 3	205 2	.	-
Pens Property Jul 28	89 7	94.5	.	-
Pens Cash Jul 28	185 9	195 8		-
Money Purchase Plan				
Discretionary Jul 27	94.2	101 1	-0 6	-
Equity Jul 27	97 8	105 1	-0 9	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas, IoM 0624 627610						
Intl Grth	5¼	448.7	448.7	481.1	-3.2	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 661020						
L.J. International	5¼	85.89	85.89	92.64	-0.75	–
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662295						
Merc IoM Fund	5	97.96	97.96	104.5	-0.10	6.3
Merc Intl Bond	5	50.50	50.50	53.09	-0.04	8.6
Sun Life Management (IoM) Ltd						
PO Box 178, Douglas, IoM 0624 622444						
Secure High Income	6	1.0537	1.0537	1.1296	-0.0001	7.97
Unibank Scandinavian Fund Ltd						
23 Bucks Road, Douglas, IoM 06246 26404						
Scandinavia Fd	5	–	129.87	137.58	....	1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
ATC Fund Management (SG) Ltd				
SG International	$10.99		....	–
Appleton Financial Advisers Ltd				
Appleton Capital Trust	94.0	100.0	....	–
CMI Fund Mngrs (IOM)				
Traders Fund Ltd H*	$17.11	18.50	....	–
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
Beckman Option & Warrant	0.59	0.67	+0.09	0.00
Beckman Option & Warrant $	$1.12	1.27	+0.16	0.00
Beckman Reserve Assets	107	107	+1.00	2.64
[illegible]				

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV July 18 C$13.04						
First Aust Prime Inc Inv Co Ltd NAV July 16 US$10.95						
NAV Diluted to reflect exercise of all Wrts C$12.74 US$10.69						
Fidelity Investment (CI) Ltd						
Sterling American			12.465	2.592	+0.003	–
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV			DM16.53		(z)	–
Foreign & Colonial Mngt (Jersey) Ltd						
Hypo Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10.77		–	–
Sterling Cash			£12.11		–	–
US$ Bonds			$15.32		-0.01	–
Multicurrency Bonds			$20.67		-0.11	–
Sterling Bonds			£13.46		+0.01	–
D Mark Bonds			DM10.58		+0.01	–
Ecu Bonds			Ecu11.57		-0.02	–
UK Equities			£9.84		-0.09	–
US Equities			$16.40		+0.03	–
Japanese Equities			Y541		+0.01	–
Contl Euro Equities			DM15.63		-0.16	–
UK Negative Equities			£13.73		+0.14	–
US Negative Eq			$10.16		–	–
Japanese Negative Eq			Y1000		–	–
Contl Eur Negative Eq			DM–		–	–
UK Geared Equities			£–		–	–
US Geared Equities			$–		–	–
Japanese Geared Eq			Y–		–	–
Contl Euro Geared Eq			DM–		–	–
Gold			$10.16		-0.06	–
John Govett Management (Jersey) Ltd						
Malaysia Emerg Co NAV Jul 23			$10.98		–	–
Sync Safety Fd NAV Jul 24			$8.54		–	–
Paragon Fd NAV Jun 30			$10.54		–	–
Paragon Warrants			$9.91		–	–
Hungarian Inv Co Jun 30			103.42		–	–
[illegible]						

Commercial Union Luxembourg SA – Contd. [illegible]

Cresvale Asset Advisors [illegible]

DB Investment Management [illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Asian Convertibles & Income Fd (Cayman)				
NAV Jul 23	$15.47			–
Austro-Hungary Fund Ltd				
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Jul 23	56.60			–
BEA Associates				
[illegible]				
Julius Baer Bank & Trust Co Ltd				
[illegible]				

	Bid Price	Offer Price	+ or -	Yield Gross
Global Asset Management – Contd.				
GAM High Yield	$130.45			–
GAM Hong Kong	$396.52			–
GAM International Fd	$156.54			–
GAM Japan	$567.22			–
GAM Nth America Fd	$130.12			–
GAM Money Mkt US$	$100.22		+0.01	–
Do Sterling	£100.71		+0.02	–
Do Swiss Fr	SFr100.57		+0.01	–
Do Deutschmark	DM100.69		+0.02	–
Do Yen	Y10024			–
GAM Multi-Mngr-Allied	$120.26			–
GAM Multi-Mngr-Gen Eq	$124.22			–
GAM Multi-Mngr Trading	$129.65			–
[illegible]				

	Bid Price	Offer Price	+ or -	Yield Gross
Orbis Investment Management Ltd				
Orbis Global Eqty	$11.90	12.59		–
Orbis Optimal Eqty	$17.64	18.53		–
Orbis Leveraged Eqty	$17.62	18.63		–
* Prices on July 23 Next Pricing July 29 Weekly Pricing				
Orbitex Bahamas Ltd				
Orbitex Nat Res Fd	C$8.2259	9.0485		–
Orbitex Growth Fund	$6.5463	7.2009		–
[illegible]	$4.7044	5.1748		–
ORIENT Growth Fd				
NAV	$9.94		-0.09	–
PFC Internatl Portfolio Fd Mngt Ltd				
[illegible]				
Asian Warrants	$10.79	11.43	-0.07	–
European Warrants	$4.79	5.08	+0.04	–
Managed	HK$11.13	11.78	-0.11	–
Private Capital Tst	$20.39		-0.15	–
China Fund	$10.00			–
Wellington Fd Mngrs (Bermuda) Ltd				
Intl Growth Fd	$13.33	14.01		–
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs (z)	$11.29		-0.03	–
Wells Fargo B Shs (z)	$10.85		-0.13	–
Worldwide Limited				
NAV Jun 30	$92.34			–
Xiphias International Investment Fd Ltd				
Xiphias Int USD	$1.0787			–
Xiphias Int ECU	Ecu1.0275			–
Yamaichi Capital Mngmt (Guernsey) Ltd				
Thai Inv Fund	$10.24		....	–

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ¼ Guernsey gross. # Suspended. ◊ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

FOREIGN EXCHANGES

Dollar slips after BoJ rate cut

THE DOLLAR slipped about two pfennigs on the foreign exchanges yesterday as the D-Mark was boosted by Japan's latest cut in interest rates and continuing strong sentiment for the German currency, *writes James Blitz.*

Analysts said the dollar had lost ground in a wave of trading that followed another fall in the Japanese stock market and the Bank of Japan's ½ percentage point reduction in its discount rate. This gave a significant boost to the German currency, pushing it up from Y85.09 to Y86.00 by the close of European trading.

In turn, the rush to buy D-Marks fed through to D-Mark/dollar rates, pushing the dollar down to a close of DM1.4840 in London from Friday's DM1.5000 finish. In spite of the discount rate cut, the dollar ended unchanged against the yen at Y127.60. In New York the dollar finished easier at DM1.4808 and Y127.45.

Analysts said the Japanese rate cut had emphasised the huge yield advantages of the D-Mark against both the yen and the dollar. The US currency's fall may have defined the effective limits of last Monday's central bank intervention aimed at keeping the dollar off its lows.

For most of last week, dealers believed that the intervention had turned the market, creating a two-way trade in the dollar once again. Now they are less sure. "It is a reminder to the central banks that intervention can never reverse a trend, just slow it down a little," said one US bank trader.

Two other factors pushed the dollar down yesterday. One was the inability of dollar bulls to break an important technical barrier at DM1.5050 last Friday, which led to a downturn. The other was the spate of poor economic data that is expected this week, starting with today's consumer confidence figures which the market believes will be poor.

Sterling was the victim of these movements in cross trading. After rising in the morning to DM2.8539, it retreated with the dollar to a close of DM2.8430, more than ½ pfennig below its previous close. There were no intrinsic factors pulling the pound down yesterday, but an analyst said the market still had no positive catalyst to buy the British currency.

Trading in the European Monetary System was otherwise quiet. The lira picked up slightly, ending at L756.2 against the D-Mark, compared with L757.5 previously. Dealers said its upside potential would be limited until the market sees in what shape the government's budget deficit reduction package emerges from the current parliamentary debate.

At the other end of the grid, the Portuguese escudo was close to its ceiling against sterling, with a 6.22 percentage points differential between the two currencies at the close.

£ IN NEW YORK

July 27	Close	Previous Close
£ Spot	1.9185-1.9195	1.8935-1.8945
1 month	1.06-1.05pm	1.09-1.07pm
3 months	3.20-3.17pm	3.19-3.17pm
12 months	11.38-11.28pm	11.20-11.1pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 27	Previous
8.30 am	92.2	92.2
9.00 am	92.2	92.2
10.00 am	92.3	92.2
11.00 am	92.4	92.2
Noon	92.5	92.2
1.00 pm	92.5	92.1
2.00 pm	92.5	92.2
3.00 pm	92.4	92.1
4.00 pm	92.3	92.0

CURRENCY MOVEMENTS

Jul 27	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.3	-19.9
U S Dollar	60.5	-17.8
Canadian Dollar	98.9	-2.7
Austrian Schilling	111.0	+12.7
Belgian Franc	113.0	-1.1
Danish Krone	111.4	+4.9
D-Mark	121.1	+26.5
Swiss Franc	110.9	+18.7
Dutch Guilder	116.0	+17.5
French Franc	106.1	-10.9
Lira	99.8	-19.7
Yen	136.9	+73.6
Peseta	108.5	-17.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for July 24

CURRENCY RATES

Jul 27	Bank rate %	Special* Drawing Rights	European† Currency Unit
Sterling	-	0.752575	0.715884
U S Dollar	3.00	1.44216	1.37643
Canadian $	5.50	1.71790	1.63479
Austrian Sch	7.50	15.0807	14.3713
Belgian Franc	8.50	44.2022	42.0637
Danish Krone	9.50	8.26236	7.85804
D-Mark	8.75	2.14377	2.04193
Dutch Guilder	8.50	2.41706	2.30304
French Franc	10¼	7.24253	6.89385
Italian Lira	13.75	1628.16	1544.51
Japanese Yen	3.75	182.294	175.495
Norway Krone	-	8.43447	8.02184
Spanish Peseta	-	136.516	129.932
Swedish Krona	10.00	7.78911	7.40726
Swiss Franc	[illegible]	[illegible]	[illegible]
Greek Drach	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for July 24

OTHER CURRENCIES

Jul 27	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N.Zealand	3.5135 - 3.5185	1.8290 - 1.8315
Saudi Ar	7.1055 - 7.1125	3.7495 - 3.7505
Singapore	3.0990 - 3.1065	1.6156 - 1.6165
S Af (Cm)	5.2895 - 5.3020	2.7535 - 2.7605
S Af (Fn)	7.5330 - 7.5785	3.9215 - 3.9460
Taiwan	47.85 - 48.05	24.90 - 25.00
U.A.E.	6.9575 - 7.0350	3.6715 - 3.6735

*Floating rate. Iran Official rate £121.35 $63.75

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 27	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	173.017	-3.20	6.12	52
Spanish Peseta	133.631	129.932	-2.77	5.65	47
Belgian Franc	42.4032	42.0637	-0.80	3.55	29
D-Mark	2.05586	2.04193	-0.68	3.42	30
Dutch Guilder	2.31643	2.30304	-0.58	3.32	19
Irish Punt	0.767417	0.764854	-0.33	3.07	6
French Franc	6.89509	6.89385	-0.02	2.74	-10
Danish Krone	7.84195	7.85804	0.21	2.51	-19
Italian Lira	1538.24	1544.51	0.41	2.31	-30
Sterling	0.696904	0.715884	2.72	0.00	-54

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9030 - 1.9245	1.9150 - 1.9160	1.06-1.04cpm	6.58	3.20-3.17pm	6.65
Canada	2.2775 - 2.2800	2.2780 - 2.2790	0.85-0.75cpm	4.21	2.75-2.63pm	4.72
Netherlands	3.1975 - 3.2205	3.1975 - 3.2075	⅛-parcpm	0.23	½-¼pm	0.47
Belgium	58.55 - 58.80	58.60 - 58.70	7-1cpm	0.82	10-4pm	0.48
Denmark	10.9370 - 10.9500	10.9375 - 10.9475	1¼-2¼oredis	-1.85	2¼-3¼dis	-1.10
Ireland	1.0640 - 1.0700	1.0650 - 1.0660	0.04-parcpm	0.23	0.08-0.01pm	0.17
Germany	2.8380 - 2.8550	2.8400 - 2.8450	⅛-parpfpm	0.26	⅜-⅛pm	0.35
Portugal	241.50 - 242.50	241.50 - 242.50	77-157cdis	-5.80	233-372dis	-5.00
Spain	180.55 - 181.25	180.70 - 181.00	59-66cdis	-4.15	138-151dis	-3.20
Italy	2147.20 - 2160.40	2149.75 - 2150.75	1¼-2liredis	-0.91	2¼-3¼dis	-0.56
Norway	11.1670 - 11.1800	11.1675 - 11.1775	⅝-1⅛oredis	-1.14	½-1⅞dis	-0.43
France	9.5825 - 9.6400	9.5875 - 9.5975	½-⅞cdis	-0.86	¼-⅝dis	-0.13
Sweden	10.3075 - 10.3220	10.3100 - 10.3200	2-3cdis	-2.91	4⅞-6⅛dis	-2.13
Japan	243.85 - 245.55	244.00 - 245.00	1¼-1⅛ypm	5.83	3⅞-3⅝pm	6.13
Austria	20.01 - 20.11	20.02 - 20.07	1½-⅛gropm	0.60	2⅞-⅝pm	0.35
Switzerland	2.5100 - 2.5305	2.5100 - 2.5200	⅜-¼cpm	1.19	1¼-⅞pm	1.59
Ecu	1.3950 - 1.3970	1.3950 - 1.3960	0.09-0.13cdis	-0.95	0.26-0.32dis	-0.83

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.18-6.13cpm. 12 Month 11.25-11.15pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9030 - 1.9245	1.9150 - 1.9160	1.06-1.04cpm	6.58	3.20-3.17pm	6.65
Ireland†	1.7830 - 1.8030	1.7980 - 1.7990	1.14-1.11cpm	7.51	3.09-3.02pm	6.79
Canada	1.1870 - 1.1905	1.1885 - 1.1895	0.22-0.25cdis	-2.37	0.56-0.60dis	-1.95
Netherlands	1.6685 - 1.6875	1.6720 - 1.6730	0.93-0.96cdis	-6.78	2.60-2.65dis	-6.29
Belgium	30.50 - 30.80	30.60 - 30.70	16.50-18.50cdis	-6.85	47.00-51.00dis	-6.39
Denmark	5.6975 - 5.7575	5.7100 - 5.7150	3.90-4.20oredis	-8.51	10.95-11.55dis	-7.88
Germany	1.4790 - 1.4965	1.4830 - 1.4840	0.85-0.86pfdis	-6.92	2.38-2.40dis	-6.44
Portugal	125.75 - 126.20	126.10 - 126.20	138-146cdis	-13.51	360-380dis	-11.73
Spain	94.15 - 95.20	94.35 - 94.45	84-85cdis	-10.74	235-240dis	-10.06
Italy	1118.00 - 1134.10	1122.25 - 1122.75	13.50-15.00liredis	-15.23	34.00-37.00dis	-12.65
Norway	5.8250 - 5.8800	5.8300 - 5.8350	3.65-3.95oredis	-7.82	10.25-10.75dis	-7.20
France	4.9950 - 5.0540	5.0050 - 5.0100	3.10-3.15cdis	-7.49	8.70-8.80dis	-6.99
Sweden	5.3675 - 5.4335	5.3825 - 5.3875	4.18-4.43oredis	-9.59	11.85-12.30dis	-8.97
Japan	127.30 - 128.35	127.65 - 127.75	0.07-0.08ydis	-0.70	0.18-0.19dis	-0.58
Austria	10.4400 - 10.5175	10.4450 - 10.4500	5.95-6.30grodis	-7.04	16.20-17.20dis	-6.39
Switzerland	1.3090 - 1.3280	1.3130 - 1.3140	0.61-0.64cdis	-5.71	1.70-1.75dis	-5.25
Ecu	1.3625 - 1.3775	1.3745 - 1.3755	0.95-0.93cpm	8.20	2.57-2.54pm	7.43

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jul 27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible]; three years [illegible]; four years [illegible]; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jul 27	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.398	0.762	1.130	97.22	3.814	1	1.274	954.9	[illegible]	23.3[illegible]	[illegible]	[illegible]
N Fl.	0.313	0.598	0.888	76.33	2.995	0.785	1	671.2	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.466	0.891	1.322	113.7	4.462	1.170	1.490	1000	[illegible]	[illegible]	[illegible]	[illegible]
C$	0.439	0.841	1.247	107.3	4.209	1.104	1.405	943.3	1	[illegible]	[illegible]	[illegible]
B Fr.	1.705	3.267	4.847	416.9	16.36	4.288	5.461	3666	[illegible]	100	[illegible]	[illegible]
Pta	0.553	1.059	1.572	135.2	5.303	1.390	1.771	1189	[illegible]	[illegible]	100	[illegible]
Ecu	0.716	1.372	2.037	175.1	6.872	1.802	2.294	1540	[illegible]	[illegible]	[illegible]	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% [illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100% [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100% [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% [illegible]

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT £50,000 32nds of 100% [illegible]

US TREASURY BONDS (T) 8% $100,000 32nds of 100% [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100% [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% [illegible]

9% NOTIONAL ECU BOND ECU 200,000 100ths of 100% [illegible]

12% NOTIONAL ITALIAN GOVT. BOND (BTP) LIRA 200m 100ths of 100% [illegible]

THREE MONTH STERLING £500,000 points of 100% [illegible]

THREE MONTH EURODOLLAR $1m points of 100% [illegible]

THREE MONTH EUROMARK DM 1m points of 100% [illegible]

THREE MONTH ECU ECU 1m points of 100% [illegible]

THREE MONTH EURO SWISS FRANC SFR 1m points of 100% [illegible]

THREE MONTH EUROLIRA INT. RATE LIRA 1,000m points of 100% [illegible]

FT-SE 100 INDEX £25 per full index point [illegible]

* Contracts traded on APT. Closing prices shown

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% [illegible]

BRITISH POUND (IMM) $ per £ [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr [illegible]

STANDARD & POORS 500 INDEX $500 times index [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) [illegible]

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate) [illegible]

CAC-40 FUTURES (MATIF) Stock Index [illegible]

ECU BOND (MATIF) [illegible]

		December	-	102.70	+0.16	-	-	-	9.58	45

Estimated volume 4,554 † Total Open Interest 14,098

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
104	-	-	-	0.19	0.71	-
105	1.00	1.92	-	0.42	1.01	-
106	0.46	1.34	-	0.86	1.43	-
107	0.17	0.89	-	1.58	1.97	-
108	0.06	0.57	-	2.42	-	-
Open Int	131,651	228,445	8,300	118,320	65,902	5,760

Estimated volume 33,586 † Total Open Interest 548,378
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth	3-mth.	6-mth.	12-mth.
1.9155	1.9050	1.8836	1.8539	1.8035

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs	10.5	Roxburghe Bank Ltd	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Bearish mood stays

SENTIMENT in both the sterling cash and futures markets remained bearish yesterday as the Bank of England forecast a large shortage in the morning and the economic picture in Britain continued to be grey.

The pound's slightly more encouraging performance on the foreign exchanges in the morning, up to a high of DM2.8539, softened period rates. However, the currency's performance tailed off in the afternoon, sterling falling back to a finish of DM2.8430, and rates remained at roughly the same levels that they had been at on Friday night.

Dealers continued to be bearish about the prospects for the UK economy, heavily influenced by press reports that today's quarterly industrial trends survey from the Confederation of British Industry will show a sharp drop in business confidence. This, and fears of a Lombard rate rise in Germany, make a base rate cut unlikely in the immediate future.

One-month money was slightly softer at 10$\frac{1}{16}$ per cent, against 10$\frac{3}{16}$ per cent on Friday night, and three-month money was at 10¼ per cent, down from 10$\frac{5}{16}$ per cent. Six-month money continued to underline the market's bearishness, offered at 10$\frac{5}{16}$ per cent.

Dealers said the softer rates reflected the Bank of England's accommodating position in the discount market, where an early round of offers was invited, and the Bank regularly made repurchase agreements (repos) repayable on August 13 and 14 at 9$\frac{15}{16}$ per cent.

In the morning, the Bank purchased £12m in the repo, £23m of Band 1 bank bills at 9⅞ per cent, and £200m again in the repo.

In the afternoon, the Bank bought £267m of Band 1 bank bills, £68m of Band 2 bank bills and £54m in the repo. The Bank provided late assistance of £515m.

Futures trading was quietly bearish. The September short sterling contract closed at 89.70, five basis points down from its previous close.

In Germany, the Bundesbank, keeping a tight rein on German money market rates, again injected emergency funds into the banking system to prevent call money rising above its key 9.75 per cent Lombard rate. The Bundesbank added funds at 9.70 per cent after call money had risen to 9.70-9.75 per cent.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. July 27) 3 months US dollars		6 months US Dollars	
bid 3¼	offer 3⅜	bid 3½	offer 3⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

4pm		Treasury Bills and Bonds			
Prime rate	6	One month	3.48	Three year	4.68
Broker loan rate	6	Two month	3.22	Five year	5.64
Fed funds	3¼	Three month	3.27	Seven year	6.16
Fed funds at intervention	-	Six month	3.38	10-year	6.68
		One year	3.59	30-year	7.52
		Two year	4.25		

July 27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.56-9.75	9.70-9.80	9.70-9.80	9.70-9.80	9.70-9.80	9.75
Paris	[illegible]	10⅛-10¼	10$\frac{1}{16}$-10$\frac{3}{16}$	10⅛-10¼	10⅛-10⅜	9.60
Zurich	[illegible]	9⅝-9½	-	8⅞-8⅝	-	-
Amsterdam	-	-	-	-	-	-
Tokyo	[illegible]	[illegible]	-	-	-	-
Milan	[illegible]	[illegible]	-	16¼-16⅛	-	-
Brussels	[illegible]	[illegible]	-	9⅞-9¾	-	-
Dublin	[illegible]	10⅛-10¼	10¼-10⅜	10¼-10⅜	10¼-10⅜	-

LONDON MONEY RATES

Jul 27	Over-night	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12	10⅛	10⅛	10⅜	10⅜	10⅛
Interbank Bid	9¼	9⅞	10⅛	10⅛	10$\frac{3}{16}$	10⅛
Sterling CDs	-	-	10⅛	10¼	10⅛	10⅛
Local Authority Deps	9⅞	9⅞	10⅛	10⅛	10⅛	10⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11½	9⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	10⅛	10¼	10⅜	10⅛
Treasury Bills (Buy)	-	-	9$\frac{13}{16}$	9⅞	9$\frac{11}{16}$	-
Bank Bills (Buy)	-	-	9$\frac{15}{16}$	9$\frac{13}{16}$	9$\frac{13}{16}$	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.24	3.25	3.34	3.55
SDR Linked Dep. Offer	-	-	6⅛	6⅛	6⅛	6⅛
SDR Linked Dep. Bid	-	-	6⅛	6⅛	6⅛	6⅛
ECU Linked Dep. Offer	-	-	11⅛	11⅛	11⅛	11⅛
ECU Linked Dep. Bid	-	-	10⅞	10⅞	10⅞	10⅞

Treasury Bills (sell): one-month 9$\frac{13}{16}$ per cent; three months 9½ per cent; six months 9⅛ per cent; Bank Bills (sell): one-month 9$\frac{11}{16}$ per cent; three months 9⅞ per cent. Treasury Bills: Average tender rate of discount 9.5161 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1992. Agreed rates for period July 26, 1992 to August 25, 1992. Scheme I: 11.29 p.c. Schemes II & III: 11.28 p.c. Reference rate for period May 30, 1992 to June 30, 1992. Scheme IV&V: 10.038 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from July 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6). Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent, nine-twelve months 8½ per cent. Under £100,000 7 per cent from May 6 1992. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

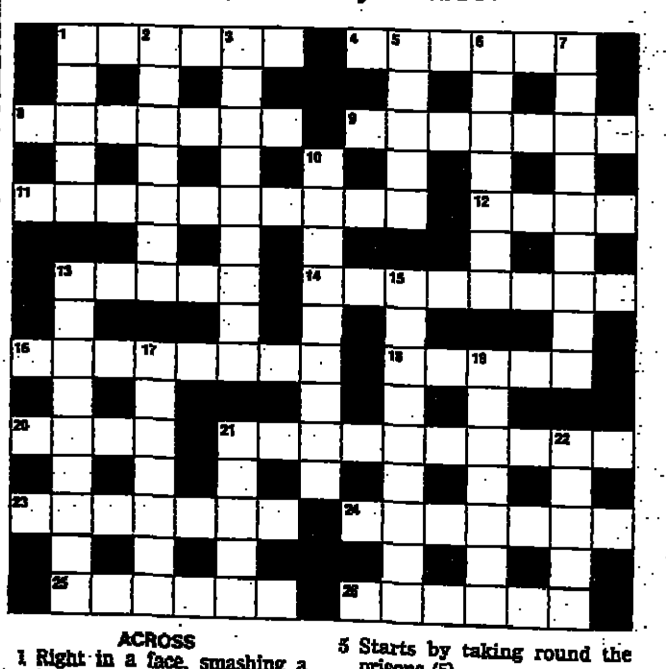
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

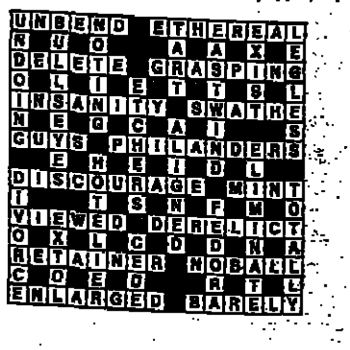
No.7,910 Set by ALAUN



ACROSS
1 Right in a face, smashing a bottle (6)
4 Is it an even chance the matador will have one? (4-2)
8 Bird from the icy north (7)
9 Once captured by the left wing, told all (7)
11 Jack Robinson? (5,5)
12 Forward the cards (4)
13 She'll come back when ready to (5)
14 Charge less and there will be a lower commission (8)
16 Praises as "a really excellent drink" (6,2)
18 Disreputable and fishy! (5)
20 Call Eastman back (4)
21 It just goes to show the power of the press (5,5)
23 Part one is *set outside* the court (7)
24 What made one open, or undo, screws in the car (7)
25 Soaked in rum when in the money (6)
26 Hunt for an albino killer (6)

DOWN
1 Feature a foreign country (5)
2 Turns the table to put it the other way round (7)
3 Gives up because one promises to (9)
5 Starts by taking round the prisons (5)
6 A peevish dog fish (7)
7 Command all your attention before you move in (9)
10 Victorious in the attempt to get the hump flattened out (9)
13 Warns, showing figures about heart trouble (9)
15 Reckless speed when there's been a crash, lecture on (9)
17 Made a fuss when one became a producer (7)
19 Separated while in a state of hypnosis (7)
21 It softens the blow (5)
22 Try to win round, in short (5)

Solution to Puzzle No.7,909



WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS (continued) | SWEDEN (continued) | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | ITALY | GERMANY | SWITZERLAND | NORWAY | SPAIN | SOUTH AFRICA | SWEDEN | JAPAN | AUSTRALIA (continued) | HONG KONG | AUSTRALIA | MALAYSIA | SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. [illegible]

CANADA

TORONTO

4.00 pm prices July 27

Quotations in cents unless marked $

[illegible]

MONTREAL

4.00 pm prices July 27

[illegible]

Total Sales 9,487,500 shares

INDICES

NEW YORK

DOW JONES	Jul 27	Jul 24	Jul 23	Jul 22	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3282.20	3285.71	3290.04	3277.61	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	101.65	101.64	101.47	101.35	101.65 (27/7)	98.41 (20/3)	101.65 (27/7/92)	54.99 (1/10/81)
Transport	1276.83	1273.19	1269.74	1270.89	1467.68 (20/2)	1269.74 (23/7)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.20	218.52	217.83	218.14	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/92)	10.50 (8/4/32)

Day's High 3311.38 (3305.70) Low 3265.99 (3261.94)

STANDARD AND POOR'S

	Jul 27	Jul 24	Jul 23	Jul 22	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	411.54	411.60	412.08	410.93	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	482.89	482.84	483.31	481.91	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	35.48	35.67	35.94	35.92	36.65 (10/7)	32.40 (8/4)	36.65 (10/7/92)	8.64 (1/10/74)
NYSE Composite	226.50	226.48	226.66	226.13	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	382.06	382.53	382.50	383.17	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	564.73	565.61	565.24	563.88	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Jul 24	Jul 17	Jul 10	year ago (approx.)
Dow Industrial Div. Yield	3.17	3.13	3.13	3.10
	Jul 22	**Jul 15**	**Jul 8**	**year ago (approx.)**
S & P Industrial div. yield	2.68	2.64	2.68	2.77
S & P Indl. P/E ratio	28.50	28.95	28.45	19.02

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Wellcome	4,264,600	15¼	..
Telefonos	4,813,100	43⅛	- ⅝
Royal Appl	3,981,200	9⅞	+ 1⅛
RJR Nabisco	2,570,300	8⅞	- ⅛
Merck	2,182,000	50⅞	+ 1⅜
Chrysler	1,888,700	20⅛	+ ⅞
Phillip Morris	1,748,800	76⅞	- ⅝
Boeing	1,570,300	39⅛	- ½
Gen Motors	1,211,600	39⅞	+ ⅝
Stone Cont	1,200,300	18¼	- 3

TRADING ACTIVITY

† Volume Millions	Jul 27	Jul 24	Jul 23
New York SE	164.680	163.870	175.460
Amex	9.931	9.879	10.318
NASDAQ	(u)	167.782	164.560
NYSE			
Issues Traded	2,291	2,279	2,293
Rises	898	860	917
Falls	809	839	763
Unchanged	594	580	613
New Highs	76	59	58
New Lows	28	35	30

CANADA

TORONTO	Jul 27	Jul 24	Jul 23	Jul 22	1992 HIGH	1992 LOW
Metals & Minerals	3070.65	3102.00	3081.30	3126.11	3238.87 (16/1)	2828.26 (8/4)
Composite	3396.46	3400.87	3412.20	3412.10	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1791.45	1795.91	1798.20	1799.75	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10, and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jul 27	Jul 24	Jul 23	Jul 22	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1606.3	1609.6	1610.7	1607.2	1684.50 (22/5)	1546.30 (9/4)
All Mining (1/1/80)	711.8	716.5	715.5	713.4	726.80 (2/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	322.21	325.47	334.36	337.89	458.57 (24/2)	322.21 (27/7)
Traded Index (2/1/91)	765.77	771.06	794.56	803.19	1099.43 (24/2)	765.77 (27/7)
BELGIUM						
BEL20 (1/1/91)	1130.36	1134.06	1139.89	1145.35	1235.43 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	309.74	308.46	309.13	308.92	365.29 (15/1)	308.46 (24/7)
FINLAND						
HEX General (28/12/90)	668.3	696.7	706.1	714.8	935.90 (24/2)	685.30 (27/7)
FRANCE						
CAC General (31/12/82)	478.39	476.45	476.98	481.52	565.93 (12/5)	475.52 (2/1)
CAC 40 (31/12/87)	1755.35	1734.62	1734.56	727.49	2077.49 (11/5)	727.49 (22/7)
GERMANY						
FAZ Aktien (31/12/58)	638.36	639.94	648.76	649.04	725.26 (26/5)	638.36 (27/7)
Commerzbank (1/12/53)	1802.20	1807.20	1833.40	1834.60	2043.80 (25/5)	1802.20 (27/7)
DAX (30/12/87)	1618.09	1610.42	1625.37	1628.22	1811.57 (25/5)	1578.73 (10/7)
HONG KONG						
Hang Seng Bank (31/7/64)	5664.39	5772.76	5917.16	(c)	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1267.21	1267.18	1276.36	1279.65	1469.57 (17/1)	1267.03 (9/7)
ITALY						
Banca Com. Ital. (1972)	398.38	406.36	408.07	409.76	551.59 (6/2)	398.38 (27/7)
MIB General (2/1/92)	780.0	797.0	800.0	803.0	1086.00 (5/2)	780.00 (27/7)
JAPAN						
Nikkei (16/5/49)	15373.34	15497.79	16039.94	15541.95	23801.18 (6/1)	15373.34 (27/7)
Tokyo SE (Topix) (4/1/68)	1193.94	1204.55	1227.92	1205.75	1763.43 (6/1)	1193.94 (27/7)
2nd Section (4/1/68)	1763.53	1771.56	1782.92	1795.70	2459.85 (6/1)	1763.53 (27/7)
MALAYSIA						
KLSE Composite (4/4/86)	589.70	593.53	602.24	608.79	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tot Rtn Gen (End 1983)	285.0	287.3	289.1	289.6	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	194.7	196.4	197.6	197.6	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	662.89	658.50	654.86	649.20	772.74 (18/5)	643.24 (20/7)
PHILIPPINES						
Manila Comp (2/1/85)	1475.10	1463.39	1470.76	1453.79	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	385.85	381.58	387.52	391.01	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1107.04	1122.0	1139.0	1111.6	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4125.04	4130.0	4160.0	4156.0	4689.00 (4/6)	4125.00 (27/7)
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	517.48	521.99	518.53	526.00	691.48 (2/2)	505.30 (20/7)
SPAIN						
Madrid SE (30/12/85)	211.82	213.24	214.03	216.10	266.51 (28/2)	211.82 (27/7)
SWEDEN						
Affarsvariden Gen (1/2/37)	841.80	834.70	839.40	851.5	1014.50 (11/5)	834.70 (24/7)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	798.3	798.8	801.6	799.7	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	608.3	607.9	608.8	607.1	662.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4008.22	4022.16	3978.97	4154.80	5391.63 (30/1)	3978.87 (23/7)
THAILAND						
Bangok SET (30/4/75)	734.94	746.16	753.92	757.96	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) ($)	483.3	483.5	487.5	485.9	542.10 (7/1)	467.50 (6/4)
Euro Top-100 (26/6/90)	840.06	840.14	845.15	845.70	976.55 (25/5)	840.06 (27/7)

**Saturday July 25: Taiwan Weighted Price 4018.85; Korea Comp Ex 521.76.
& Subject to official recalculation. ' Calculated at 15.00 GMT.
Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen, MIB Gen, Euro Top-100, ISEQ Overall and DAX – 1,000; JSE Gold – 255.7; JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 27 July 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod	3.4	894	-28	Nomura Sec	2.1	1,220	-10
Daikyo Kanko	3.3	544	-77	Mitsubishi Hvy	2.0	600	-5
Nippon Jutaku	2.5	165	-7	Ricoh Co	1.9	531	-1
Canon Inc	2.4	1,340	-20	Mitsubishi Kakok	1.9	850	-40
C-Itoh	2.1	360	-3	Hitachi	1.9	732	-13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4:00 pm prices July 27

1992 High	1992 Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15 5/8	11 7/8	AAR Corp	0.48	3.7	20	453	12 7/8	12 1/4	12 7/8	+1/8
25	18 1/8	A L Labs A	0.18	1.0	73	418	18 1/4	d18 1/8	18 1/4	+1/8
68 1/4	52 5/8	AMP Inc	1.92	3.8	21	1255	53 7/8	53 1/4	53 3/8	
80 1/4	60 7/8	AMR				232255	64 7/8	62	63 3/4	+1/8
2 1/8	1 3/8	ARX			2	41	1 5/8	1 1/2	1 1/4	+1/8
53 1/2	38 1/4	ASA	2.00	5.0	26	325	40 7/8	39 5/8	39 3/4	-5/8
34 1/4	26 1/2	Abbott Lab	0.60	2.0	21	7874	30 1/8	29 5/8	30	+3/8
13 7/8	12	Abitibi Pr	0.50	3.9	9	28	12 3/4	12 3/4	12 3/4	
11 5/8	10 1/2	ACM Gvt In	0.96	8.5		258	11 3/8	11 1/8	11 1/4	+1/16
10 1/8	9 1/8	ACM GvOpp	0.94	9.6		82	9 3/4	9 5/8	9 3/4	
9 1/2	8 1/2	ACM Gvt Sc	0.92	9.9		237	9 3/8	9 1/4	9 1/4	
11 1/4	10 1/8	ACM Gvt Se	0.96	8.8		137	11	10 7/8	10 7/8	-1/8
10	9 5/8	ACM Man	0.98	10.2		385	9 3/4	9 1/2	9 5/8	
12 7/8	10 5/8	ACM Managd	1.21	10.9		54	11 1/8	11 1/8	11 1/8	
11 1/4	4 1/2	Acme Cleve	0.40	5.9	13	77	6 3/4	6 5/8	6 3/4	
6 1/4	4 1/8	Acme Elect			4	21	5	4 5/8	5	+3/8
33 1/4	18 1/8	Acuson			12	378	19	18 1/2	18 3/4	+1/8
19 1/2	18 1/4	Adams Expr	1.63	8.8	0	65	18 3/4	18 1/2	18 5/8	+1/8
49 1/8	29 1/2	Ad Micro	3.00	8.3		100	34 1/4	33 3/4	33 3/4	-1/4
21 1/2	7 1/2	Ad Micro P	3.00	36.3		32361	8 5/8	8 1/8	8 1/2	
9 1/8	5	Advest Grp	0.16	2.8	82	37	5 3/4	5 1/2	5 3/4	
37 3/4	33	Aegon ADR	1.68	4.7	6	78	35 1/2	35	35 1/2	-1/2
47	38 3/8	Aetna Lf ▾	2.76	6.5	8	875	42 5/8	40 1/2	42 3/8	+1 7/8
12 1/8	8 3/8	Affil A	0.24	2.0	14	1132	11 7/8	11 3/8	11 3/4	+3/8
33 7/8	24	Aflac	0.44	1.3	17	961	33 3/4	31 7/8	33 1/2	+5/8
19 3/8	15 1/8	Ahmanson	0.88	5.3	7	1048	16 7/8	16 5/8	16 5/8	
22 1/2	5 3/4	Aileen Inc			6	21	6 5/8	6 5/8	6 3/4	+1/8
43 1/2	36 1/2	Air Pr Chm	0.86	2.1	18	1206	41 7/8	40 7/8	41 3/8	+1

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge Prev.
37	28½	Xtra Corp	0.80	2.2	13	215	38½	35¾	36	+¼
28⅞	25¼	Yankee Egy	1.86	6.0	12	9	27⅞	27½	27¾	
1½	½	Zapata			46	116	1	13/16	13/16	-1/16
11⅛	6¾	ZenithElec			5	208	7⅞	7¼	7⅞	
19½	14½	Zenith Nat x	1.00	5.6	8	37	17⅞	17¼	17⅞	+1⅛
7⅛	6	Zenix Inc x	0.84	12.0		153	u7⅛	6⅞	7	-⅛
13¾	10	Zero Corp	0.40	3.6	18	229	11¼	11	11¼	-⅛
38	27¾	Zurn Ind	0.88	3.0	32	608	29½	28½	29½	+⅝
14⅛	12	Zweig Fund	1.15	9.0		78	13	12⅞	12⅞	
11	9½	Zweig Totl	0.96	9.4		210	10⅜	10¼	10¼	-⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices July 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.60	25	71	12¼	11⅞	12	-⅛
Pet HtS&P	1.14	17	23	15½	15	15½	
Phil LD	0.21	16	256	40⅛	39½	40⅛	+½
Pittway A	1.10	15	34	28⅝	28	28	-⅛
Ply Gem	0.12	21	60	10¾	10⅝	10⅝	-⅛
PMC	0.66	14	24	9⅞	9⅞	9⅞	
PresidioA	0.10	1	1022	2	1⅞	1⅞	-⅛
Price Com		0	6	5/16	⅛	3/16	

NASDAQ NATIONAL MARKET

4:00 pm prices July 27

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		23	1138	21¼	20½	21	+¼
Xoma Corp		8	710	13½	13	13½	+½
Yellow Fr	0.94	21	2038	25¼	24⅛	25⅛	-¼
York Rsch		4	1048	4⅜	4	4⅛	-⅛
ZionsUtah	1.44	10	83	57	55	55½	

AMERICA

Poor building data outweigh positive news

Wall Street

US SHARE prices ended slightly lower in light trading yesterday after some disappointing news from the housing and construction markets had outweighed good news elsewhere, writes Patrick Harverson in New York.

The Dow Jones Industrial Average was down 3.51 at 3,282.20. The Standard & Poor's 500 ended a touch easier, off 0.05 at 411.55, and the Nasdaq composite softened 0.87 to 564.74. New York SE turnover was only 165m shares.

The day's only economic news was broadly negative. The National Association of Realtors announced a 2.9 per cent fall in June existing home sales, while the Commerce Department revised its June building estimates down to 2.1 per cent from 1.3 per cent.

The figures proved to be rather more of an influence on sentiment than the good news of the apparent resolution of a confrontation between Iraq and the UN, lower Japanese interest rates, and some selected strong second quarter corporate results.

Among the stocks buoyed early on by good earnings figures was Goodyear, which rose more than $1 at the start, but receded later with the market to end down $¾ at $62⅝ after news of second quarter net income of $1.54 a share, up sharply from last year, although the figures were partly boosted by special items.

Stanhome advanced $2¼ to $32¾ on second quarter earnings of 57 cents a share, up from 47 cents a year ago and slightly higher than the average of analysts' forecasts.

ADRs in Wellcome, the UK drugs group, made their debut, finishing at $15¼ in turnover of 14m, making the stock the day's leading active. Drug issues were generally firmer in the wake of the Wellcome issue. Merck advanced $1⅝ to $50⅞ in turnover of 1.8m shares, Johnson & Johnson $1 to $47⅛ and Pfizer $1 to $76⅞.

IMC Fertiliser climbed $1⅞ to $41 after Dean Witter Reynolds, the Wall Street brokerage, upgraded the stock from a "hold" to an "aggressive buy".

Varian Associates shed $½ to $35¾ on news of a big decline in fiscal third quarter income that came in below market estimates.

On the Nasdaq market, Novell fell $2 to $52 after Dean Witter downgraded its investment rating from a "buy" to a "hold", citing domestic business worries.

Mexico continued its downward path, as a fall of 1.5 per cent by mid-morning took the total drop since June 1 to nearly 20 per cent, writes Damian Fraser. Telmex L shares fell 2.6 per cent ahead of this week's results. Alfa fell 3.8 per cent after reporting a 53 per cent drop in first half profits.

The market has been hurt by revelations that stockbrokers lost around $500m in May and June as higher interest rates eroded the value of government bonds they had bought.

Canada

TORONTO stocks closed steady after quiet trading. The TSE 300 index lost 4.4 to 3,396.5, while advances narrowly led declines by 254 to 249 after volume of 19.2m shares.

Inco, off C$½ at C$36½, reported a second-quarter loss of 3 US cents a share, against a year-earlier profit of 28 cents.

SOUTH AFRICA

JOHANNESBURG drifted lower in quiet trading, as the overall index fell 31 to 3,345, industrials lost 28 to 4,102 and golds dropped 24 to 1,098. Weakness in De Beers, down R1 to R75.25, spilled into Anglos, R2 lower at R112.75.

EUROPE

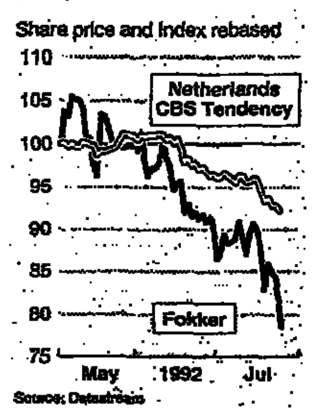
Most bourses start the week on a firmer note

MOST BOURSES started the week on a firmer note but trading remained thin, *writes Our Markets Staff.*

FRANKFURT rose in quiet trading but sentiment remained nervous. The DAX closed up 7.67 at 1,618.09 while the FAZ was down 1.58 at 638.36 at midsession. Turnover fell to DM4.2bn from DM4.9bn.

The chemical and car sectors were active. A recommendation by Salomon Brothers yesterday to switch out of Bayer into BASF had no affect on the shares with Bayer up DM3.80 at DM263.20 and BASF up DM4.90 at DM218. The broker argues for the switch on the grounds that the outlook for plastics has improved while "prospects for pharmaceuticals have been tainted by government cost-cutting plans".

Volkswagen advanced DM5.70 or 1.6 per cent to DM354.50 while Porsche was one of the day's losers, down DM4 to DM500. Daimler, whose Dasa division announced its acquisition of Dutch aircraft maker Fokker on Friday, put on DM3 to DM701.



With half-year results due in the next couple of weeks, the banking sector began to reflect market uncertainty. Commerzbank lost DM1 to DM237, Deutsche Bank was up DM3 to DM645.50 and Dresdner gained DM1 to DM325.

AMSTERDAM fell following the announcement after Friday's close that agreement had been reached on Dasa's takeover of Fokker. The CBS Tendency index lost 0.7 to 114.6.

The aircraft manufacturer dropped to a year's low of Fl 26.40 before improving slightly to close down Fl 1.10 or 3.8 per cent to Fl 27.50. Some analysts said minority shareholders were selling out now that Dasa no longer had to buy shares in the market to accumulate a stake.

The chemical groups Akzo and DSM weakened on forecasts of disappointing half year results from DSM on Thursday. Akzo was down Fl 2.40 at Fl 133.40 while DSM shed Fl 1.70 to Fl 97.70. Elsewhere Nedlloyd sank to a year's low, off 80 cents at Fl 44.10 and the weaker dollar took Fl 2.40 off Unilever to Fl 177.60.

FT-SE Eurotrack 100 - Jul 27

Hourly changes							
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1051.44	1052.01	1051.36	1053.33	1055.08	1055.70	1057.02	1056.98

Day's High 1057.67 Day's Low 1050.84

Jul 24	Jul 23	Jul 22	Jul 21	Jul 20
1052.53	1059.53	1060.97	1075.64	1064.04

Base value 1000 (26/10/90).

PARIS rose on the first day of the new account as dealers bought stocks which had been out of favour in the previous trading period. LVMH jumped FFr153 or 4.5 per cent to FFr3,590 in low volume of 9,170 and Suez added FFr7 to FFr261. The CAC 40 index added 20.73 to 1,755.35 in thin turnover of FFr1.2bn.

BSN remained weak, losing FFr10 to FFr1,033 following news last week that the food company planned to limit voting rights. The stock was also weak on concerns that BSN might not be able to consolidate Volvic into this year's accounts. Euro Disney remained on its downward trend, falling FFr1.40 to FFr94.75.

MILAN was lifted off the day's lows as prices recovered slightly in the after-market but dealers said the outlook remained bearish. The Comit index fell 7.98 to 398.38 in turnover estimated at around L85bn after Friday's L102.4bn.

Blue chips bore the brunt of the day's fall, with Fiat losing L146 or 3.2 per cent to L4,409 following Friday's news of the arrest of a senior executive at one of its subsidiaries in connection with the Milan bribery scandal.

Banks were mostly weaker but San Paolo stood L10 higher at L10,050 after reporting that gross operating profit rose 25 per cent in the first half.

ISTANBUL leapt 3.7 per cent as hopes of lower bank deposit rates were revived by a newspaper report that Turkey's biggest state-run bank, Ziraat, was planning a rate cut. The 75-share index closed at 4,210.05, up 150.33.

ZURICH was quiet with the SMI index closing up 5.1 at 1,761.9. The banking sector advanced following last week's cut in interest rates. Union Bank bearers rose SFr3 to SFr687.

STOCKHOLM recovered in thin trading, as the Affärsvärlden General index rose 7.1 to 841.8 as turnover slipped to SKr159m from SKr219m. OSLO's all-share index rose 2.26 to 380.30 in low turnover of NKr116.8m, in spite of disappointing first-half results from Norsk Hydro which fell NKr2.5 to NKr146.5. VIENNA hit another new low, the 18-share ATX index ended 5.29 down at 765.77.

Cresvale Limited

The host of the seminar on Polish equities referred to in an article published on this page on Saturday was Cresvale Limited and not Cresvale Securities.

ASIA PACIFIC

Discount rate cut fails to boost confidence in Japan

Tokyo

A CUT in the official discount rate failed to boost confidence, and the Nikkei average fell to another six-year low as afternoon selling erased morning gains, *writes Emiko Terazono in Tokyo.*

The 225-issue average lost 124.45 to 15,373.34, its lowest since March 1986. The index registered a high for the day of 15,974.31 in the morning on the Bank of Japan's half-point cut in the discount rate to 3.25 per cent. However, buying by dealers petered out as investors remained reluctant to commit new funds to the market, and the index dropped to the session's low of 15,288.34 in the afternoon.

Volume was still thin, totalling 220m shares against Friday's 201m. Falls outpaced rises by 625 to 299, with 189 issues unchanged. The Topix index of all first section stocks shed 10.61 to 1,193.94, slipping below the year's low recorded in April, and in London the ISE/Nikkei 50 index eased 0.94 to 934.46.

Traders said favourable domestic factors – the discount rate cut and the ruling Liberal Democratic Party's victory in Sunday's upper house elections – were already discounted. Last Friday's emergency cabinet meeting convened by Mr Kiichi Miyazawa, the prime minister, to discuss support measures for the stock market and the economy did not produce specific results.

Mr Hiromichi Ishikawa, managing director at Yamaichi Securities, said: "Investors do not think the support measures for the economy will have a direct impact on the stock market. What the market needs is something that works immediately."

Blue chip electricals declined, Hitachi falling Y13 to Y732. Nippon Telegraph and Telephone lost Y9,000 to Y582,000. Dealers took profits in speculative theme stocks: Meiji Milk Products, the day's most active issue, receded Y28 to Y894.

Daikyo, the condominium developer, plunged Y77 to an all-time low of Y544 on further rumours of financial troubles.

In Osaka, the OSE average slipped 207.70 to 17,732.33, its lowest since November 1986. Volume dropped to 6.5m shares from Friday's heavy 24m.

Roundup

THE Japanese discount rate reduction also failed to cheer other Pacific Rim markets yesterday.

BANGKOK was pulled lower by the debut of Thai Airways International shares, the largest issue ever offered on the exchange. The SET index lost 11.22, or 1.5 per cent, to 734.94 in a turnover of Bt4.83bn. Thai Airways fell Bt5.50 from the opening level to end at Bt55.50, almost losing a day's limit of 10 per cent.

BOMBAY rose sharply after a court ruled in favour of a BSE petition to free shares seized by the government in connection with a financial scandal. Brokers ended their trading boycott and the BSE index leapt 125.81, or 4.7 per cent, to 2,804.15.

KARACHI continued to slide as investors were discouraged by political uncertainty, caused by a split between the ruling coalition and one of its allies in Karachi, *writes Farhan Bokhari in Islamabad.*

The KSE-100 index broke through the 1,400 support level to close at 1,384.94, down 16.41 or 1.2 per cent.

HONG KONG reversed early gains, the Hang Seng index ending a net 108.37, or 1.9 per cent, off at 5,664.3 in turnover of HK$3.44bn. Active issues included HSBC Holdings, down 50 cents at HK$51.50, and Cheung Kong, 30 cents cheaper at HK$24.00.

SINGAPORE saw profit-taking after climbing sharply in early trading. The Straits Times Industrial index was finally 21.03 up at 1,422.34. SIA rose S$1 to S$13.70 on news of a proposed one-for-one scrip issue, but the foreign shares were unchanged at S$17.20. Inchcape gained 20 cents to S$5.75 on reports that it was distributing S$109m to shareholders.

SEOUL's composite index dipped 4.28 to 517.48 in thin trading. Turnover came to Won121bn, against Won142bn during Saturday's half-day session. Declines outscored gains by 486 to 213.

TAIWAN retreated on profit-taking and the weighted index, which had gained more than 50 points earlier in the day, closed 10.63 down at 4,008.22. Turnover amounted to T$23.94bn, after Saturday's T$17.5bn.

MANILA gained ground on optimism about the prospects for economic recovery. The composite index climbed 11.71 to 1,475.10. Advances outnumbered declines by 46 to 25.

Combined turnover expanded to 299.3m pesos from 252m. Philippine National Bank lost 5 pesos to 290 pesos, while Philippine Long Distance Telephone added 10 pesos at 1,040 pesos.

KUALA LUMPUR fell in dull trading. The composite index lost 3.83 to 589.70. Falls led gains by 180 to 51 as volume shrank to 52m shares from Friday's 70m. Investors took profits in Telekom, which declined 30 cents to M$13.40.

AUSTRALIA eased as investors remained cautious ahead of tomorrow's second quarter inflation figures. The All Ordinaries index slipped 3.3 to 1,606.3 in turnover of A$200.9m.

Among active stocks, BHP fell 6 cents to A$13.46 and News Corp gained 20 cents to A$22.14. GIO, which was listed last week, saw 6.5m shares traded and weakened 8 cents to A$2.42.

NEW ZEALAND's NZSE-40 index closed 1.78 higher at 1,550.51 in turnover of NZ$33m.

State's impotence fuels Milan's fall

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	-7.12	-14.92	-27.55	-10.77	-10.99	-9.60
Belgium	-2.61	-1.92	-3.49	-0.88	-1.29	+0.24
Denmark	-2.78	-5.75	-20.84	-14.12	-13.45	-12.11
Finland	-6.22	-10.72	-27.95	-9.75	-10.24	-8.84
France	-3.40	-8.94	-0.41	-0.99	-0.19	+1.36
Germany	-6.07	-8.13	-5.52	-0.26	-0.63	+0.89
Ireland	-2.35	-3.56	-12.08	-7.97	-7.69	-6.26
Italy	-8.00	-13.58	-28.13	-18.93	-19.27	-18.03
Netherlands	-2.45	-4.64	-1.90	+2.49	+2.03	+3.60
Norway	-2.04	-7.73	-27.22	-8.95	-9.31	-7.91
Spain	-4.37	-12.84	-19.01	-13.96	-14.07	-12.74
Sweden	-5.43	-9.06	-19.91	-2.72	-2.45	-0.93
Switzerland	-2.70	-4.68	+2.12	+6.06	+6.53	+8.17
UK	-2.42	-6.93	-8.22	-4.57	-4.57	-3.09
EUROPE	-3.57	-7.60	-8.10	-3.75	-3.69	-2.19
Australia	-1.27	-2.85	-0.15	-4.12	-7.25	-5.81
Hong Kong	-6.34	-6.68	+42.40	+35.81	+34.45	+36.53
Japan	-5.26	-1.64	-33.35	-30.27	-32.78	-31.73
Malaysia	-1.91	-0.51	-5.12	+3.30	+10.69	-12.41
New Zealand	-3.47	-0.22	+2.62	-2.43	-2.44	-0.92
Singapore	-3.63	-9.08	-5.03	-7.62	-8.86	-7.45
Canada	-1.99	+1.31	-5.81	-4.04	-8.28	-6.86
USA	-0.75	+2.13	+9.49	-1.24	-2.76	-1.24
Mexico	-6.58	+0.10	+27.17	+2.70	-1.11	+0.42
South Africa	-3.64	-7.83	-1.07	-2.29	-22.97	-21.78
WORLD INDEX	-2.63	-1.97	-9.09	-10.40	-12.16	-10.80

† Based on July 24th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities

By Antonia Sharpe

The killing in Palermo of a second, leading anti-Mafia judge in as many months and the Italian state's clumsy handling of the liquidation of the state holding company Efim triggered an 8 per cent fall in the debilitated Milan stock market last week, taking its drop since the start of 1992 to 18.9 per cent.

Elsewhere, continued pessimism about 1992 corporate earnings prospects drove Japanese equities down by 5.3 per cent, which contributed to the 2.8 per cent decline in the FT-Actuaries World index.

Analysts believe that the Italian stock market has further to fall, with some predicting that the Comit index could drop to 380. The index closed at 398.38 yesterday.

Mr Michael Pacitti at County NatWest says there are suggestions that the government could abolish or amend the capital gains tax, introduced last year, and also remove stamp duty in order to support the stock market. Ambiguities in the law protecting minority shareholders' interests are also expected to be clarified.

"However, the government cannot introduce too many incentives because it needs to keep domestic savings in the bond market," he says. He adds that a real yield of 10 per cent on government bonds cannot be sneezed at.

Vienna was the week's second worst performer, sliding 7.1 per cent following the release of disappointing first-half results from Wienerberger, the building materials company. The market had already been weakened by news on July 10 of heavy losses at oil company OMV.

Mexico retreated 6.6 per cent as the euphoria following the withdrawal of Mr Ross Perot from the US presidential election proved to be short-lived. The prospect of higher interest rates prompted investors to take profits.

Moreover, foreigners sold shares in the cement company Cemex, expressing their disapproval of its decision to buy Spain's two largest cement companies.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 27 1992								FRIDAY JULY 24 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	141.33	−0.5	109.39	114.08	109.00	126.33	−0.2	4.32	142.09	110.67	114.65	110.77	126.59	153.68	140.94	147.24
Austria (19)	150.98	+0.3	116.86	121.88	116.45	116.48	−0.5	2.51	150.55	117.47	121.48	117.36	117.08	186.70	150.55	175.45
Belgium (42)	145.74	+0.7	112.81	117.64	112.41	110.16	−0.1	5.58	144.69	112.91	116.75	112.80	110.26	152.27	135.87	127.33
Canada (114)	127.10	+0.1	98.37	102.59	98.02	109.43	−0.1	3.24	125.95	99.06	102.43	98.96	109.53	142.12	124.32	139.63
Denmark (35)	238.61	+1.6	184.68	192.61	184.03	185.38	+0.5	1.39	234.80	183.22	189.46	183.05	184.34	273.94	226.81	252.14
Finland (15)	70.36	−1.1	54.46	56.80	54.27	60.00	−1.8	2.35	71.12	55.49	57.39	55.44	61.11	89.80	70.36	98.86
France (104)	155.84	+2.2	120.62	125.79	120.19	122.41	+1.1	3.33	152.48	118.98	123.03	118.86	121.09	168.75	148.06	128.96
Germany (65)	119.36	+0.8	92.39	96.36	92.06	92.06	−0.2	2.49	118.35	92.38	95.54	92.29	92.29	129.69	114.67	105.19
Hong Kong (54)	235.97	−2.0	182.64	190.47	182.00	234.42	−2.0	3.49	240.73	187.89	194.29	187.72	239.21	259.55	176.36	168.05
Ireland (16)	157.08	−0.1	121.58	126.80	121.15	123.07	−1.2	4.29	157.31	122.75	126.93	122.63	124.52	173.71	151.76	153.51
Italy (78)	61.30	−0.8	47.45	49.48	47.28	51.39	−2.0	4.06	61.80	48.23	49.87	48.18	52.43	80.86	61.30	73.84
Japan (473)	91.87	−0.9	71.10	74.15	70.86	74.15	−0.9	1.15	92.72	72.35	74.81	72.29	74.81	140.95	88.70	129.41
Malaysia (69)	239.86	−0.4	185.65	193.61	184.99	231.00	−0.4	2.71	240.75	187.87	194.26	187.69	231.86	250.47	212.49	226.52
Mexico (18)	1344.35	−3.8	1040.52	1085.17	1036.85	4571.94	−3.8	1.31	1397.00	1090.09	1127.23	1089.08	4750.23	1789.77	1344.35	1128.85
Netherland (25)	158.42	+0.1	122.61	127.88	122.18	120.93	−0.9	4.64	158.18	123.43	127.53	123.32	122.05	167.29	147.88	137.60
New Zealand (14)	46.48	−0.1	35.97	37.52	35.85	45.17	+0.3	5.00	46.55	36.32	37.56	36.29	45.05	48.52	42.01	47.15
Norway (23)	166.86	+1.3	129.15	134.69	128.69	132.09	+0.2	1.91	164.65	128.48	132.86	128.36	131.80	192.95	161.26	193.93
Singapore (38)	203.40	+0.0	157.43	164.19	156.87	151.47	+0.0	2.19	203.31	158.65	164.05	158.50	151.50	229.63	192.76	197.30
South Africa (61)	194.70	+0.0	150.70	157.16	150.16	167.36	−1.0	3.08	194.69	151.92	157.09	151.77	169.03	263.60	194.69	231.90
Spain (49)	136.75	+0.2	105.84	110.39	105.47	97.80	−0.8	6.01	136.49	106.50	110.14	106.40	98.59	161.72	136.49	147.20
Sweden (29)	183.19	+2.1	141.79	147.88	141.29	146.04	+1.0	2.79	179.45	140.02	144.80	139.90	144.58	200.28	173.09	189.60
Switzerland (62)	109.91	+1.2	85.07	88.73	84.78	89.50	+0.1	2.40	108.57	84.72	87.61	84.65	89.42	113.88	95.99	91.94
United Kingdom (228)	178.81	−0.4	138.40	144.32	137.90	138.40	−1.2	5.37	179.60	140.15	144.91	140.00	140.15	200.07	165.85	173.41
USA (522)	167.80	+0.0	129.88	135.46	129.42	167.80	+0.0	2.98	167.77	130.91	135.38	130.80	167.77	171.66	160.92	155.08
Europe (790)	145.01	+0.4	112.24	117.06	111.85	112.41	−0.6	4.30	144.45	112.71	116.56	112.61	113.06	156.88	139.31	138.02
Nordic (102)	172.34	+1.8	133.39	139.12	132.92	131.09	+0.7	2.39	169.29	132.10	136.60	131.97	130.13	188.52	169.29	185.25
Pacific Basin (717)	98.55	−0.9	76.27	79.55	76.01	80.55	−0.9	1.53	99.47	77.62	80.27	77.55	81.26	141.97	94.40	130.93
Euro – Pacific (1507)	117.34	−0.3	90.82	94.71	90.49	93.73	−0.7	2.91	117.66	91.81	94.93	91.72	94.41	145.21	113.80	133.28
North America (636)	165.24	+0.0	127.90	133.40	127.47	163.83	+0.0	3.00	165.21	128.91	133.32	128.81	163.80	169.69	158.70	154.04
Europe Ex. UK (562)	124.40	+1.0	96.28	100.44	95.97	97.34	−0.1	3.54	123.18	96.12	99.41	96.05	97.42	132.98	121.81	113.88
Pacific Ex. Japan (244)	164.42	−1.0	127.26	132.74	126.82	146.82	−0.9	3.66	166.12	129.62	134.06	129.52	148.14	175.31	149.00	146.05
World Ex. US (1700)	119.26	−0.3	92.30	96.27	91.98	96.13	−0.7	2.91	119.61	93.33	96.52	93.25	96.84	146.91	116.45	135.11
World Ex. UK (1994)	130.54	−0.1	101.04	105.38	100.69	115.95	−0.3	2.63	130.71	101.99	105.47	101.91	116.32	150.58	127.21	137.72
World Ex. So. Af. (2161)	134.36	−0.2	103.99	108.47	103.64	117.56	−0.4	2.94	134.58	105.01	108.60	104.93	118.05	153.05	130.04	140.24
World Ex. Japan (1749)	158.50	+0.1	122.68	127.96	122.27	143.31	−0.3	3.48	158.39	123.60	127.82	123.50	143.72	165.40	153.20	148.23
The World Index (2222)	134.71	−0.2	104.27	108.74	103.90	118.02	−0.4	2.94	134.93	105.29	108.88	105.20	118.62	153.70	130.86	140.83